

Nation's Business

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A MAGAZINE FOR BUSINESSMEN

SEPTEMBER 1954



California Texas Oil affiliate builds on Australia's Botany Bay

U. S. business finds new frontier **PAGE 28**

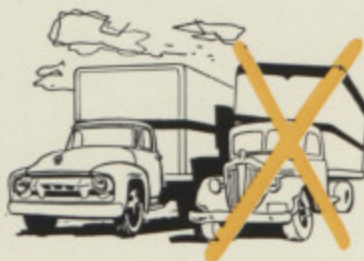
How the new tax law helps you **PAGE 25**

God before gold **BY BILLY GRAHAM**

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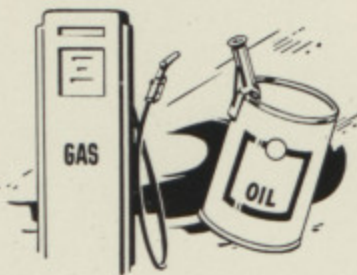
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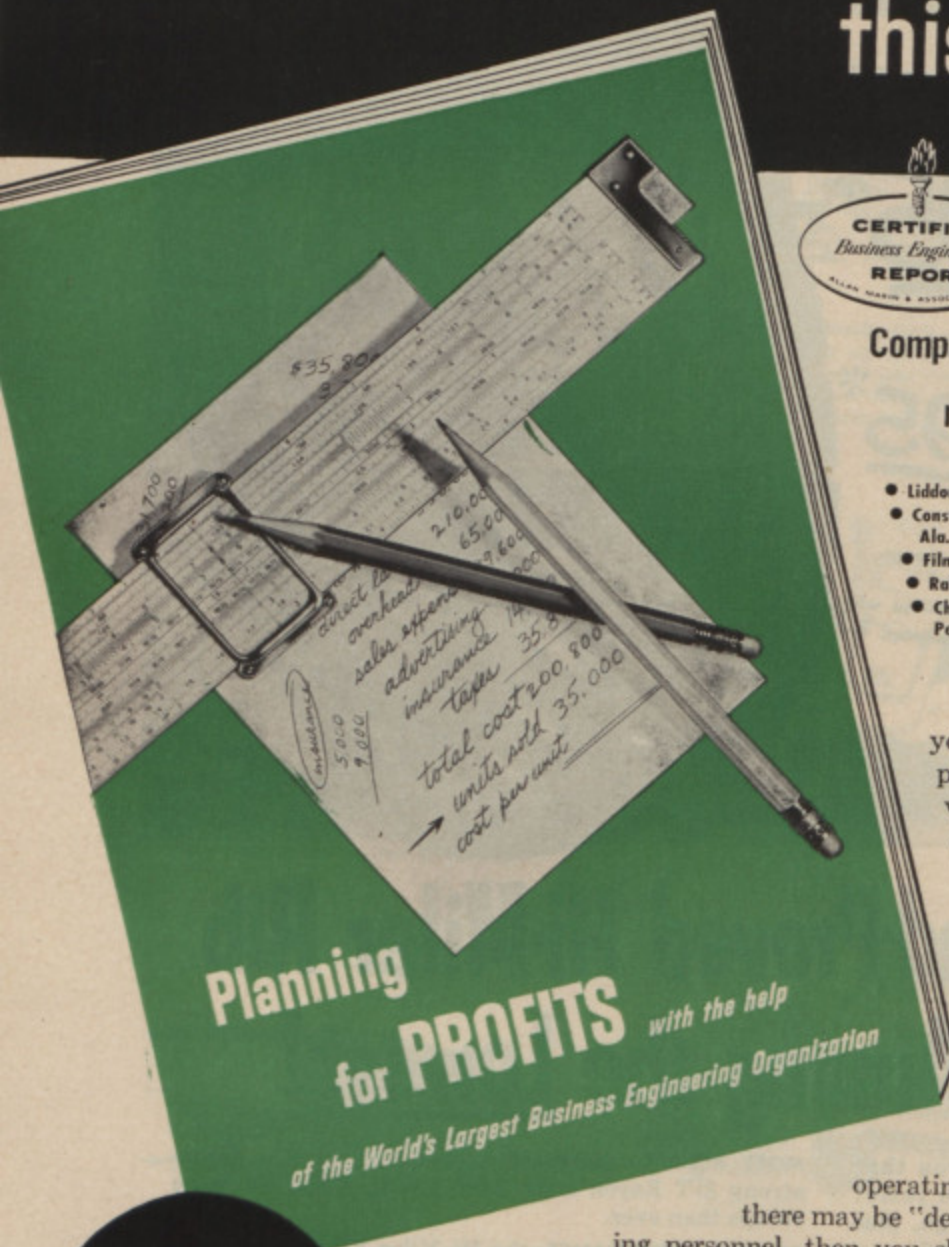
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Nation's Business

SEPTEMBER 1954 VOL. 42 NO. 9

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ABOUT THIS ISSUE

THE wharf area for the new refinery of the California Texas Oil Company's subsidiary firm at Kurnell, Australia, is shown on this month's cover.

The photo was taken only a few hundred yards from the spot where the English sea adventurer, Capt. James Cook, made his first landing on the great subcontinent in 1770.

In the immediate background is part of a pile casting yard set up to supply concrete piles for construction of the wharf and a jetty. The temporary trestle reaching out into Botany Bay carries an hydraulic fill pump line by which sand dredged from the harbor is pumped ashore for use as fill. A bucket dredge in the distance is scooping sand from the bay floor. A barge will then carry the sand to the hydraulic section dredge moored at the tip of the trestle.

Caltex is one of a number of American companies which have found a lucrative new business frontier Down Under. For details on this read **RICHARD TREGASKIS'** article on page 28.

WRITER and commentator **DAN KURZMAN** only recently completed a year-long trek through the troubled nations of Southeast Asia and the Middle East. The trip excellently qualifies him to write on the prospects for formation of a U. S.-sponsored Southeast Asia alliance on page 66.

One of the places Mr. Kurzman visited was the Free Tribal Territory



of Pakistan, near Kashmir. There he posed briefly for a picture with a bearded tribal chief.

The affable old chieftain told Mr. Kurzman—through an interpreter—that shortly before his arrival a married woman and her lover were shot dead under tribal law after both admitted committing adultery.

"The trial was simple," relates Mr. Kurzman. "To prove their innocence they had only to swear on the Koran, the Moslem Bible, that they were not guilty. So religious are these people that they can't conceive of anyone lying under oath. Thus, the young couple in question condemned themselves to death."

"THE VOICE WITH A SMILE"

IN SHAREOWNER RELATIONS



"The Voice With a Smile" has long been the symbol of telephone service. But it doesn't stop there. We try very hard to keep this same friendly, courteous spirit of helpfulness in everything we do.

That applies particularly to our relations with shareowners. For without shareowners there would be no telephone service and no telephone business.

One of the distinctive things about the ownership of the American Telephone and Telegraph Company is

the great number of small shareowners. They are people in all walks of life, in every section of the country. Many own no other stock.

Often there are some things they would like to know about the business or their securities and we are glad to have them communicate with us. Sometimes it is a simple thing. Sometimes it may be a matter that requires quite a lengthy reply.

In every case we look upon the request not as a name or an address but as a letter from a friend. And we

try to answer it in the same spirit.

In the past year we have answered more than 180,000 letters from owners of our stock and debentures. This is in addition to information sent to all shareowners. Many a time, when it is something in a rush or urgent, we speed the reply by telephone.

It takes a lot of time and work, of course, but we consider it a privilege and not a chore. Service is our business and efficient and friendly treatment is not only for customers. It is for shareowners, too.

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"I FLEW into Wausau shortly after a British jet pilot, off his course, landed there with a thimbleful of fuel left. He certainly had good reason to appreciate his stop in Wausau. So did I.

"I spent an interesting hour with County Agent Mac McAleavy (picture at right). 'Wausau people are the kind you like to work with,' he said. 'Twenty years ago this county grew only a few scattered acres of alfalfa. Couldn't grow it here, people thought. We did some research and came up with a solution. The farmers took to it and went to work. Today they grow over 100 times the alfalfa they did in the 30's.'

"Implement-dealer Herman Rakow (above, right) described Wausau's unusual *do it yourself* spirit. For instance, in maintaining farm equipment . . . '75% of the parts we sell are installed by the farmers themselves. That's about 5 times the ratio you'll find in most other farm communities.'



"Then I saw the other frontier of Wausau industry — the giant, modern plant of the Marathon Corporation. Here, where 3 million paper cartons are produced in a single day, resident manager Oscar Eggebrecht (above, left) showed me one of the world's biggest glueing lines, and sixteen freight cars lined up *inside* the building!

"They're friendly people in Wausau. They're energetic people. You sense their honesty and common sense. You see the product of their individualism. And you know that any company that has called Wausau home for over 40 years must be a pretty good one to do business with."

What is there about Wausau, Wisconsin, that makes it the ideal home for one of the world's most important insurance companies?

Employers Mutuals invited the head of a famous food company to visit Wausau to find out. Here is his story.

Wausau Story

By E. B. COSGROVE, Chairman of the Board, Green Giant Company



"... the kind you like to work with . . ." Mr. Cosgrove (right) and County Agent McAleavy.

Employers Mutuals of Wausau are "good people to do business with."

Yes—as Mr. Cosgrove discovered, there's such a thing as a *Wausau personality*. But you don't have to go to Wausau to find it. It's a certain good way of doing business. You'll meet it in all our 89 offices throughout the country.

Employers Mutuals handle all lines of casualty and fire insurance and are one of the world's largest in the field of **workmen's compensation** insurance.

If you think workmen's compensation insurance is just "a convenient way to pay the inevitable cost of accidents," you should talk to an Employers Mutuals man. He will demonstrate that, more than in any other kind of insurance, the cost of a workmen's compensation policy is controllable. The better the company, the more controllable. Phone our local office, or write Wausau, Wisconsin.

Employers Mutuals of Wausau



► MORE TAX CUTS are coming.

That's if Congress passes Administration recommendations to be announced this month or next.

What's behind requests for new cuts?

Cuts are seen as aid to new investment. They'll create more purchasing power, more jobs.

More money in circulation will boost retail sales, set off chain reaction to increase production.

Government will also announce further slash in spending plans—wants slack taken up.

Best guess on size of reductions to be asked:

Five per cent for both corporate, personal rates, bringing former back to 47 from present 52 per cent.

► THIS MONTH'S consumer is November's voter.

His well-being—or lack of it—will reach into '56, too.

It will key Eighty-fourth Congress' approach to business, taxes, labor laws, farm price props, unemployment compensation, government controls, other problems.

Let's see how consumer's doing now—it won't tell future but it's what politicians, economists, have to go by:

His disposable income is up from \$247,900,000 year ago to \$249,300,000,000 now.

His personal taxes are down (\$36,600,000,000 to \$33,200,000,000).

His savings are steady (between \$18,000,000,000 and \$20,000,000,000 annual rate).

His expenditures are up (\$229,800,000,000 to \$231,500,000,000).

In addition:

95 per cent of labor force is at work. Seasonal increase will bring it close to 100 per cent in final quarter.

Average workweek shows rise, as do weekly earnings.

► ONLY 23 PER CENT of U. S. farm income comes from price-supported commodities.

That shows up in study of Agriculture Department figures.

Rest of farm income is from non-basics, mainly livestock, livestock products.

About one fourth comes from nonfarm sources.

Those who want rigid props restored will point to over-all drop of 5 per cent in farm income.

Flexible supporters, on other hand, say rigid floors under 23 per cent of income won't support other 77 per cent.

► HERE'S STORY behind U. S. effort to stretch out public debt:

Government obligations due to be paid within year total \$63,900,000,000.

That's 41.5 per cent of total marketable debt. In 1941 only 7.2 per cent (\$3,000,000,000) was due in year's time.

Total marketable debt has risen from \$41,600,000,000 in '41 to \$154,000,000,000 in '54.

Bills due in one to five years amount to 18.1 per cent of total debt.

They came to 20.4 per cent in '41.

Those due after ten years are 20.6 per cent of debt now, were 54.1 per cent in '41.

Nonmarketable debt (Savings Bonds, notes, special issues, investment bonds, etc.) is \$121,000,000,000.

Note: Treasury wants to reverse these percentages, market long-term issues, cut debt ceiling back fast.

► BIG FIRM mergers are just beginning.

Autos, textiles, chemicals have taken plunge—will plunge further.

Others (steel, railroads, banks) study merger plans now and for next year.

This is what prompts moves:

1. Bigger markets, more coverage.
2. Lower costs, more efficient distribution.
3. Product variety to boost volume, maintain flexibility.

Attorney General Brownell's Committee to Study Antitrust Laws is scanning transactions.

Its report will be due on his desk Dec. 31.

► WHAT HAPPENS when aircraft defense production is complete?

Do we shut down plants, quit making planes?

Where is support for economy in de-

fense spending if it's halted?

Answer is, it's never complete.

Here's why:

H. M. Horner, United Aircraft president, says almost every aircraft is obsolete when its production starts.

Designs simultaneously on drawing boards are years ahead of production plans.

Another factor:

Attrition, modernization rate of 20 per cent in peacetime, applied to air force of 40,000 planes, means 8,000 planes a year in new production—or about \$5,000,000,000 in new business.

That's with no obsolescence, no new designs, no threat to security.

► LOOK AT THIS economic straw in a cool September wind:

Personal consumption expenditures have risen—without a dip—every year for past 15 years.

Only once (in '48-'49) has personal income shown decline—\$3,600,000,000.

Then spending went to new highs, savings were curtailed.

Another straw:

Spending for services has risen every year for 15 years—from \$25,500,000,000 in '39 to more than \$82,000,000,000 in '54—with no dip in any year.

► FAST TAX write-off pace slows—but not for long.

Office of Defense Mobilization averages about 32 weekly certificates of necessity now.

It was 500 a week three years ago.

About 75 per cent of work being done with aid of fast depreciation plan is ended. But keep in mind:

New tax law (its impact will be felt in '55) allows fast write-offs for all new facilities—not just defense.

This doesn't mean a five-year schedule, but easing depreciation rates will take up slack, ODM, Treasury say.

► HOME FREEZERS have huge appetite.

Nearly 7,000,000 freezers sold since end of War II have capacity of 80,000,000 cubic feet.

Sales in '53 (1,290,000 units) were six times '46 sales—this year will top that.

This adds up to growing available

space for farm products. And, as space grows, frozen food prices drop.

Examples: Since '50, spinach price dropped 9 per cent; peas, 6; beans, 2.

► BALANCED BUDGET'S still elusive.

First quarter of fiscal '55 ends this month, finds Treasury with gap to fill:

Treasury receipts of \$4,240,676,346 (latest figure) were \$749,664,561 less than same period of fiscal '54.

Outlay, on other hand, though less than original estimate, runs \$600,000,000 ahead of year ago.

What to look for:

If receipts fall much below year ago for final calendar quarter—and defense spending is hiked—debt ceiling rise of \$6,000,000,000 may become permanent, may even be upped.

► BUSINESS PAYS its bills promptly.

National Association of Credit Men says 87.3 per cent of manufacturing firms discount bills or pay when due.

That compares with 85.6 per cent at start of '54.

For retailers, percentages for prompt payment are 81 and 79.8 in same periods.

Increasing promptness reflects strong credit structure, improved income.

► SALES DIP doesn't cut manufacturers' income.

Study of record may help your business planning, suggest ways you can earn higher net on fewer sales, too:

As third quarter nears end, manufacturing firms, over-all, list 7 per cent drop in sales volume.

At same time: 7 per cent net income gain. Here's why:

1. Operating costs are cut, expenses pared to bone.

2. Taxes take up 49 per cent of pre-tax income, compared with 61 per cent in '53.

The figures:

Sales down \$2,990,000,000; costs down \$1,725,000,000; taxes down \$1,458,000,000; net up \$193,000,000.

Note: Firms earn 7 cents on sales dollar as against 6 cents year ago.

► TRANSFER PAYMENTS are part of national income. Whether they should be

washington letter

so considered is open to question.

They're paid by government to citizens—one taxpayer's pocket to another's.

Transfer payments include government grants, handouts, relief payments, unemployment compensation, veterans' benefits.

Transfers add to over-all income, show \$2,000,000,000 gain over year ago.

The figures:

This year, \$15,500,000,000; in '53, \$13,600,000,000.

That's 15 per cent jump—biggest in personal income category.

► U. S. HAS \$40,000,000,000 stake abroad.

That's both government, private investment.

It's rising at \$3,000,000,000 annual rate, Office of Business Economics says.

Private investment totals more than \$22,000,000,000.

That's \$5,000,000,000 more than U. S. had invested in new domestic construction five years ago.

It also equals total investment in domestic durable equipment in 1950.

Note: Our gross investment abroad (90 per cent in plants and equipment) is only about \$15,000,000,000 less than our total domestic investment.

That underscores importance to business of continued world trade agreements.

► DEFENSE METAL allotments don't mesh with talk of more defense spending.

Administration economic advisers forecast pickup in defense spending soon.

But here are last quarter allocations of three basic metals:

Steel: 651,270 tons, down 12 per cent from current quarter, 49 per cent from second quarter.

Copper: 72,006,604 pounds, down 15 and 46 per cent.

Aluminum: 106,728,834 pounds, down 7 and 25 per cent.

► "AMERICAN DRUGGIST" magazine survey shows drug store prescription sales up 5 per cent.

Sales topped \$1,000,000,000 for first

time in '53. Prescription department accounts for 23.7 per cent of total drug store sales.

That's up from less than 20 per cent in '50.

Value of prescription's up 5 per cent, price is up 3.4 per cent and number of prescriptions, up 1.6 per cent, "American Druggist" says.

► SMALL BUSINESS loans are spread thin.

Businessmen in five states haven't applied for loans—Delaware, Nevada, New Hampshire, Rhode Island, Vermont.

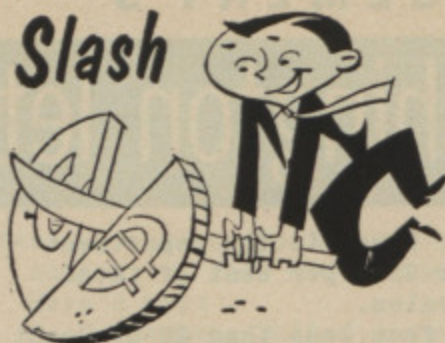
Other New England states have one or two loans.

States with largest number of loans: Texas, 31; California, 26; Illinois, 19; Georgia, 19.

Alaska's had six, District of Columbia, one.

► BRIEFS: U. S. railroads will pay out more than \$14,500,000 a day in wages to employees this year, Sundays and holidays included. . . . Federal government produces 9,800,000,000 pieces of paper yearly at cost of \$1,200,000,000, Hoover Commission says. . . . Only two out of every 1,000 people in U. S. live more than 25 miles from an active physician. . . . 81 per cent of refrigerated warehousemen say there's no space shortage in their industry—even though 74 per cent of freezer space is taken up. . . . Federal Reserve predicts retail sales, seasonally adjusted, will equal or better peak '53 total of \$170,000,000,000-plus. . . . 90 per cent of American housewives don't object to cigars in home, thus helping boost sales to \$550,000,000, Cigar Institute says. . . . 65 per cent of all games made in U. S. are for children, 35 per cent for adults. . . . 44 nations (including U. S.) report consumer price changes of 2 per cent or less. That's for period of more than year. UN report says changes reflect "remarkable stability." . . . Independent grocery stores account for more than 53 per cent of retail food sales; chains account for 30 per cent, specialty stores, 16.5 per cent. . . . 36,000,000 American families have \$127,000,000,000 nest egg in bank accounts, savings bonds, Federal Reserve points out.

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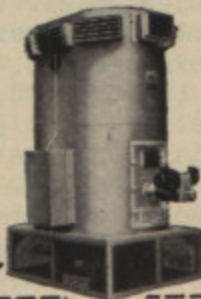
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Letters TO THE EDITOR

Get off the street

The article, "The Parking Meter Take," in NATION'S BUSINESS for August, presents a recommendation for the solution of the urban congestion problem. One of the greatest stumbling blocks to any solution of this problem is the financing.

David R. Levin concludes that the parking meter has now developed a purpose above and beyond its original intent: "to become a member of a functional and financial partnership involving curb and off-street parking facilities. This might be called the system idea."

One question which must be answered immediately by proponents of using meter revenues for financing a parking system is this: Do present tax statutes permit it? The answer is in grave doubt.

On July 21, 1954, the supreme court of South Carolina, while it upheld the constitutionality of a 1954 act of the general assembly known as the "Off-Street Parking Facilities Act," modified it in one respect. The city of Beaufort, where the case arose, had proposed pledging on-street revenues for bonds to be used for off-street parking facilities. To this the court took exception.

The system concept is loaded with a series of concealed tax subsidies to provide unfair competition with private enterprise. These are: removal of valuable property from the tax rolls; the pledge of parking meter revenues which freezes the meters to the streets for the 20 or 30-year period of the bond issue regardless of possible traffic needs to remove them; the tax-free status granted to municipal bonds by the federal government; the use of the police force to act as parking lot attendants.

Henry K. Evans, writing in NATION'S BUSINESS in July, 1954, says: "The most effective method of expanding street capacity is generally acknowledged to be the prohibition of curb parking."

Yet Mr. Levin advocates the further use of the parking meter on our city streets. This can serve only to aggravate a traffic problem which is already proper cause of grave concern.

Inability to meet subsidized competition tends to drive private parking out of business. This in itself would constitute a major economic loss to the country. The parking industry is a \$3,500,000,000 industry. Financial houses will not lend money to private endeavor for new projects in the face of municipal competition, or threat of such competition. Municipal parking will inevitably result in fewer and fewer available spaces in which to park more and more cars.

The article by Mr. Levin leaves the reader with the false impression that tremendous quantities of off-street parking have already been provided by municipalities. The simple truth of the matter is that, in spite of ten years of vigorous effort on the part of some to plunge cities into the parking business, the average municipality now provides less than 400 off-street parking spaces.

The dynamic, aggressive private industry has provided more than \$75,000,000 worth of parking facilities in the past year. That industry represents 94 per cent of all off-street parking in this country.

L. B. DOGGETT, JR.
President, National Parking Association,
Washington, D. C.

We went too far

It is true that the Dairy Queen system has more than 2,000 domestic stores in operation, but as for the foreign operations we are presently operating in Cuba, Puerto Rico, Mexico, Canada, Alaska, Hawaii, Guam and the Philippines. Stores are either under construction or contracts have been executed for the opening of operation of Dairy Queen in Australia and in Iceland. So far we have no stores operating in Hong Kong, India, Egypt, Italy, France, Belgium, etc., as stated in the article "Ice Cream Cones Scoop Up \$24,000,000 Sales." Negotiations are under way for our expansion into India, Hong Kong and Italy, but nothing definite beyond that point has developed at this time.

HAROLD F. OLTZ
AR-Tik Systems Inc.
Miami, Fla.

Interest, also disgust

I read with considerable interest (but a lot of disgust) your article "6 Bargain Steps To Smoother Traffic."

These so-called "engineers" remind me strongly of the old saying, "Can't see the forest for the trees." Toll roads are no answer to free travel, I never did and never will trust a politician with such plans. This will mean, within a decade or two, that if you can't afford to pay your way on a toll road, you will not travel in your car. They will forsake all "free" road building and repair, and in that way force you to pay "toll," or you will not travel.

CHARLES FERIS
Hinsdale, Ill.

NOTE: We were talking about city streets.

Making wives allies

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— Says Engineer Don Johnson
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2 "I checked my pictures for detail as fast as I took them. Then I jotted notes and dimensions on the back of each print — made a couple of rough sketches — and was heading back to Cambridge that afternoon.



3 "Next morning I made finished drawings from my Polaroid Pictures. The job was finished ahead of schedule. I could tell you a dozen stories like this about my Polaroid Camera. It sure is an engineer's friend — a time-saver and a work-saver."

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CARLETON K. LEWIS
Annandale, Va.

Wires and safety

The problem you point up in your article "Needed \$15,000,000,000 Re-Wiring Job" is of serious concern to the entire public, especially in view of the fact that even the latest wiring codes were out of date when they were adopted. Furthermore, wiring codes cannot anticipate what electrical equipment today's householder or business enterprise may impose upon electrical systems installed in compliance with these codes.

ERNEST G. KRAMM, *Manager*
Northern California Chapter
NECA
Oakland, Calif.

In the club, on the street and in the offices of business acquaintances I have repeatedly heard discussions of inadequacy in wiring of commercial buildings, office buildings and industrial plants. There was a need for a thorough analysis of this subject.

FRANK J. GROLEAU
Washington, D. C.

He lost in primary

I am very greatly surprised to see where you state under caption "Washington Mood," that Grover Cleveland defeated Chester A. Arthur for the presidency in 1884.

Having lived through the Cleveland-Blaine Campaign of 1884, which was a notable one, I am surprised that your writer would say that Mr. Cleveland defeated Chester A. Arthur when, as a matter of fact, Arthur was not a candidate for the presidency.

C. F. BURROUGHS
Norfolk, Va.

NOTE: We omitted a step. Blaine defeated Arthur in primary, was, in turn, defeated by Cleveland. Point of story was that Arthur did not serve two terms.

A French view of stability

Your article in the August issue, entitled: "How to Stay in Business 100 Years" reminds me of a conversation early last May, with Raymond Aron, one of the editors of *Le Figaro*, the Paris daily.

I was in Paris just as one of the French government crises was coming to a head, and remarked to Mr. Aron on the number of small stores in Paris and also in Vienna and in Brussels with signs on them: "Founded in 1684," or 1722 or such year, while few of their governments lasted more than four months. Mr. Aron answered: "Yes, European society is very stable, but European government is extremely unstable."

ALFRED KOHLBERG
New York, N. Y.

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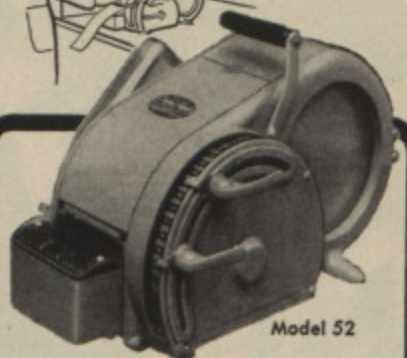
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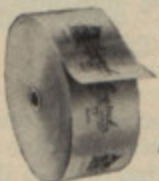
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By My Way

BY MY WAY



Three good teachers

IN SEPTEMBER, when children go back to school, I think of some of the good teachers I had, and I wonder if with all the modern improvements there has been an improvement in teachers. I wish I could pay a direct tribute to Mrs. Frankum, who taught in the Williamstown, Vt., Grammar School a long while ago and encouraged my brother and me to go to college (we did, managing without too much discomfort to work our way through Stanford University); and Professors Roscoe and Hosmer, who taught in the Waterbury, Vt., High School.

All three of these admirable instructors taught something more important than any subject matter: namely, that we are what we make ourselves. They did not teach success, as such. They taught the virtue of doing in this world, with all one's might, all one's heart and all one's conscience, what one is best fitted to do. I don't believe anybody could invent better teachers than that, or a better doctrine for them to teach.

A substitute for taxes

THERE are about 12,000,000 stamp collectors in the United States, one of whom married me many years ago in the hope that she could reform me, and is still trying. I know some of the remaining 11,999,999, but not all. They are innocent and harmless people, however, so far as I have observed, and the Post Office Department estimates that they yield an annual profit to the government of about \$15,000,000.

This is because they buy new issues of stamps but don't ask anything in return; they just paste them in books and sit around and look at them and brag about them. It seems to me that if everybody collected stamps, and if everybody who collected stamps pasted them in books and didn't use them to send letters, two good results would follow: First, we would all have fewer letters that we didn't want to answer, such as

bills; second, the Post Office Department would make so much money that it could support the federal government and we wouldn't have to pay taxes. Will Congress, at its convenience, please look into this suggestion?

The human race

I SOMETIMES have my doubts about the human race, especially that part of it that drives cars on roads. Is it, I wonder, as kind and good and wise as it ought to be? But recently, driving into Bridgeport, Conn. (an old circus town where Barnum used to have his winter headquarters), I had a flat left front tire. Before I knew what was wrong, three motorists had pulled up alongside to tell me, and one lady had turned into a side road and dismounted from her car to flag me down. Then a kindly motorist, real-



izing that I was the kind of man who might be a good citizen and mean well but could not change a tire, stopped and took me to the nearest filling station. I thought all this showed the human race, the motor-ing part of it, at least, at its best. It took me several days to get cynical again.

A dream comes true

THE PAPERS are full of bad news but once in a while they print some good news—like, for example, the way Mr. George Lauder's dream came true. Mr. Lauder, who lives in Greenwich, Conn., always wanted a coal-burning steam launch. Now he has one. It is 82 years old and has a bell and valves and a boiler and hisses when the steam is up. Miracles do happen, with attending marvels. Maybe some day I, too, will realize

my dream—I will have a steam locomotive all my own.

If it seems rainy, it is

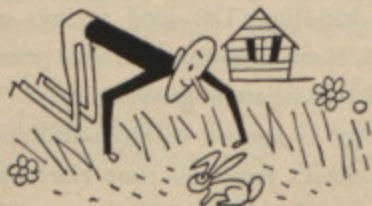
THE WEATHER BUREAU says last spring and this summer were drier than usual in the part of the country I inhabit. (It might change its opinion if there were a nine-foot rain between now and date of publication, but let's not have a nine-foot rain.) My thought is, however, that most of us judge weather by the way it affects our plans; if it rained during our vacation or even on two or three cherished week ends then this was a rainy season and don't let the Weather Bureau tell us different.

Honor where it's due

WE OWE A LOT to persons whose names we don't know. Take Dr. Samuel J. Crumbine, who died this summer at the age of 91, in Queens, New York City. Dr. Crumbine, almost by himself, abolished the common drinking cup, a breeder of disease. He did not abolish mankind's commonest insect companion, but he did invent the slogan, "Swat the fly," and there aren't as many flies as there used to be. I would put Dr. Crumbine, for service to the human race, ahead of quite a number of chesty individuals who got their names in the papers far more often than he did his.

Our "wild" rabbit

WE HAD a baby rabbit this summer. He was about eight and a half inches long when we first noticed him, and I suppose I should call him a wild rabbit in spite of his evidently peaceable disposition. As we had no vegetable garden he was obliged to subsist on weeds, but he didn't seem to mind this; at least he had the good manners to look as though he was satisfied with the board. He



may have had a father and a mother but we didn't see them. Maybe they were down the hill, working over a real garden that Mr. and Mrs. A. maintain down there. We didn't try to tame him—he seemed tamer than most human beings already. By this time he may be grown up and worldly wise and cynical, but we shall always remember him as a child: trustful, wide-eyed, tranquilly happy and as good as gold.



HALF the world is half asleep! Men who could be making *twice* their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management.

They're *wasting* the most fruitful years of their business lives . . . throwing away thousands of dollars they may never be able to make up. And, oddly enough, they don't realize—even remotely—the tragic consequences of their failure to forge ahead while time is still on their side.

These are the men who are unknowingly headed for the frustrations and the disappointments of mediocrity. They'll go part way up the ladder and down again by the time they're fifty years old. They'll be executive material in their twenties and thirties—and clerks in their fifties. They'll have high hopes for themselves and their families while they're young; but only struggling, skimping and regret later on when their earning power should be at its height.

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OF NATION'S BUSINESS Trends

THE STATE OF THE NATION

BY FELIX MORLEY



R EPORTS from Hawaii say that a number of its leading citizens, once more frustrated in their efforts to obtain statehood, will henceforth urge the alternative of commonwealth status for this cluster of Pacific islands. It seems the logical solution of a constitutional problem which has proved equally difficult for Hawaii and for the continental United States.

When the last Congress again pigeonholed Hawaiian statehood, even the most zealous advocates of that measure confessed disillusionment. Never before, in the 20 years of congressional discussion of the subject, had prospects been so favorable. President Eisenhower had strongly urged the development and for the first time it had been approved, though in radically different form, by both Senate and House. To some it seemed an arbitrary action when the House Rules Committee refused to send its bill to a conference committee for reconciliation with the Senate measure.

• • •

The reason was that no committee could have reconciled the House and Senate versions. The House bill would have given statehood to Hawaii alone. That passed by the Senate extended the same privilege to Alaska also. If the House had agreed to indorse statehood for the northern territory there is little doubt that the Senate would promptly have withdrawn its qualified approval of Hawaiian aspirations.

Partisan politics was certainly instrumental in

this deadlock. Hawaii is predominantly Republican and as a state would add two much-desired Republican senators to Congress. But Alaska is as predominantly Democratic and as a state would cancel out this gain. Both or neither, but preferably neither, said the Democratic senators, exploiting the reasonable opposition of the House to considering statehood for underdeveloped Alaska at this time. This jockeying for political advantage, looking toward a new Congress that may be as closely divided as the last, was a primary factor in destroying the statehood hopes of both territories.

This outcome seems particularly hard on the Hawaiians, for by most criteria the islands seem well entitled to place a forty-ninth star in Old Glory. Hawaii is more populous, and pays more federal taxes, than several states already in the Union. Even in area the archipelago rates slightly above Connecticut, though here Alaska—more than twice as big as Texas—has an apparent advantage. Actually size has been something of a handicap to Alaska's case, for Texans wish to hold their distinction as spokesmen of the largest state.

While all these considerations had plenty of airing in the course of the debate in both Houses, there was one other factor, especially adverse to Hawaii, that proved influential, though soft-pedaled because of its delicacy. This was the racial problem.

Of the more than 500,000 present residents of Hawaii, about 85 per cent are American citizens. But Americans of white European descent, among whom Portuguese ancestry is pronounced, consti-

tute together only one fifth of the population. Those of the original Polynesian stock comprise another 20 per cent.

The majority of Hawaiians are Japanese, Filipino and Chinese in origin, with those of Japanese ancestry easily the largest single group—constituting more than one third of the whole population.

Opposition to the admission of Hawaii as a state was unquestionably strengthened by the logical anticipation that it would in time bring two senators of Asiatic extraction. Among congressmen from the southern states the fear that this would encourage racial voting here was repeatedly voiced. It was emphasized after the antisegregation decisions of the Supreme Court. In the words of one senator from the deep South: "Let's solve the racial problem we have to face before we add another."

This attitude did not indicate any congressional desire to deny the Hawaiians the fullest possible measure of self-government. On the contrary, a move to give the islands commonwealth status, as the Eighty-second Congress did for Puerto Rico two years ago, would have met with little or no opposition in the Congress just adjourned. Since commonwealth status would give the Hawaiians, like the Puerto Ricans, a full-powered Constitution of their own, one might expect to find more Hawaiians preferring this condition of quasi independence to that of mere statehood. But the Hawaiian Statehood Commission explains that the islands would feel themselves less American if wholly self-governing. And it also presents a strong legal case for statehood.

When the shaky Hawaiian Republic was annexed by the United States, in 1898, it was, as in the case of Texas 50 years earlier, on the basis of "complete union." John W. Foster, then Secretary of State, agreed at the time that this implied eventual statehood, but warned that its consummation would be long delayed. Secretary Foster's grandson is now Secretary of State and John Foster Dulles, like President Eisenhower, believes that Hawaii has served its full probationary period as a territory.

The Department of Defense, however, has some reservations. It has stipulated that it be allowed exclusive jurisdiction over all military installations in the islands in the event of statehood and this could create an unhappy precedent for the existing 48 states. That is a matter, however, which could readily be regulated by treaty with a quasi-independent commonwealth, as in the case of Puerto Rico. So the strategic importance of Hawaii is serving as one reason for the growth of commonwealth, as opposed to statehood, sentiment in the islands.

Still another angle is the precedent that Hawaiian statehood would involve. Would it be followed by demands from the Canal Zone, Guam,

the Virgin Islands or other dependent territories that they too be admitted to the Union, citing Rhode Island as evidence that small areas are as much entitled to statehood as large ones? Such questions have greatly helped to snatch the cup of statehood from Hawaiian lips, and to confirm the feeling that the present 48 contiguous states should compose the final form of this republic.

A vital constitutional issue underlies the controversial question of Hawaiian (and Alaskan) statehood. Fundamentally, it is the issue that caused so much debate and argument from the time of the Missouri Compromise to the outbreak of the Civil War. Who controls American territory that does not possess statehood? Is it the administration of the federal government, or is it the existing body of theoretically sovereign states?

While the issue may sound academic, it produced our Civil War. And while the South lost that war on the battlefield it nevertheless won this issue for the states, as an offset for losing the argument on secession. Since 1865 nobody has maintained that the President can decide whether a territory should become a state. That is now the unquestioned prerogative of Congress, with the Senate, representing the states as such, having the controlling say. So President Eisenhower's failure to win Hawaiian statehood is really a confirmation of John C. Calhoun's famous Senate resolution of Feb. 19, 1847—asserting that the territories do not belong to the federal government but are legally the joint property of the existing states.

But this does not mean, as the cases of the Philippines and Puerto Rico demonstrate, that the condition of statehood may not be by-passed, even to the extent of granting full independence. Indeed the 48 states, which can themselves no longer demand independence, may nevertheless through Congress grant full independence to territories which have not gained statehood. Hawaii's claim to statehood has again, and now perhaps finally, been rejected. Nevertheless Hawaii can, if it wants, aspire not only to commonwealth status, but even, like the Philippines, to full independence.

That constitutional theory is important. It enables our homogeneous republic to develop overseas territories, to hold strategic outposts and generally to play the role of empire without destroying its own republican institutions. Probably that would not continue to be the case if we were to incorporate areas of alien culture into the federal union itself.

Repudiation of Hawaii's claim to statehood, therefore, must not be taken as in any sense a condemnation of Hawaiians. It is merely an affirmation of our own integrated republicanism (with a small "r") and an invitation to Hawaii to develop the greater autonomy of commonwealth status to which this "Paradise of the Pacific" may now be expected to turn.

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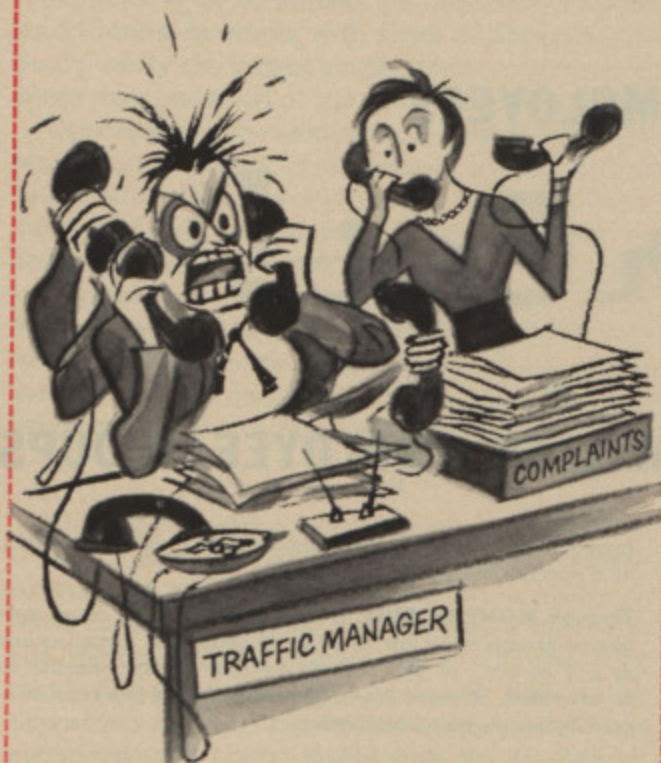
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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

IN THE 1944 presidential campaign, I left the Dewey special train and dropped in on Robert Hannegan at the Biltmore in New York. Mr. Hannegan was then chairman of the Democratic National Committee. We talked about the "situation"—that is, about Roosevelt's chances of being elected to a fourth term.

Outwardly, the only thing on people's minds at that time was the great war, and the need of crushing Germany and Japan. Reports were going around that many Republicans, especially parents of boys in the armed services, were going to vote for FDR even though they were tired of seeing him in the White House. They were going to vote for him, so it was being said, because they were fearful of a change at such a dangerous time.

It was clear that if this sentiment was widespread, another Democratic victory was certain, and I said as much to Mr. Hannegan.

Mr. Hannegan was supremely confident that Roosevelt would win, but not for that particular reason. His optimism was based on something much more crass.

"Look," he said, "everybody in the United States is working. There never was such prosperity. The people not only have jobs; they are making more money than they ever made before in their lives. Just look at the overtime they're making. That's why I'm telling you that the Boss is going to win again."

It was a little shocking to hear this kind of talk in the midst of a great national crisis, when all were being called upon to make sacrifices in the name of patriotism. I suppose, though, that I ought not to have been surprised. Politicians always have regarded the economic factor as a cardinal issue, even at times when other matters seemed to be more important.

Throughout our political history, the great parties and their candidates have held out the prospect of "good times" if only they should be given power. Some of the promises of long ago now seem amusing. In the presidential campaign of 1840, which saw William Henry Harrison pitted against Martin Van Buren, Old Tippecanoe promised "two dollars a day and roast beef." He went on to win.

All of which leads us up to the obvious—that the

Republicans now are going to town on the prosperity issue, hoping that it will help them to keep control of the Senate and the House in the November election. In the two months ahead, Americans are going to hear an awful lot about "economic indexes."

• • •

Gabriel Hauge, White House administrative assistant and economic adviser to President Eisenhower, gave the signal to other Republican orators when he appeared before the Governors' Conference at Bolton Landing on Lake George, N. Y., in mid-July. He proclaimed that the recession had been "beaten," and that "the economy is catching its breath for a new advance."

President Eisenhower came along on Aug. 12 to echo Dr. Hauge's optimism. The G.O.P. theme from here on will be that the administration's program will "stimulate enterprise in all directions."

Of course the "good times" issue doesn't always guarantee victory for the party in power. We found that out in 1952. The Democrats had high hopes that it would help them stay in power, and they even used it as the theme of their campaign song, "Don't Let 'Em Take It Away." But, as we know, the voters were not impressed.

Nevertheless, it is a vast relief to the Republicans not to have to go before the voters this time in an apologetic mood. The anxiety that some of them felt last winter—when Speaker Joe Martin and others were denouncing the Democrats for even using the word "recession"—has vanished, and given way to a bullish attitude.

In his talk before the Governors' Conference, Dr. Hauge acknowledged that there might be "wrinkles" in the economy here and there. Some people, he said, thought that the federal government ought to tackle these wrinkles and straighten them out. He didn't agree. He argued that such federal intervention would be self-defeating, since it would result in inflation and an excess of government regulation.

This led some of the governors to talk about wrinkles in their particular states. Gov. John S. Fine of Pennsylvania, for example, mentioned the decline in the demand for coal and the resultant

distress in Pennsylvania's areas that mine coal. Gov. William S. Beardsley of Iowa reminded Dr. Hauge of the "tragic" fall in farm

prices, and said that, without a prosperous agriculture, there can be no sound American economy. Gov. G. Mennen Williams of Michigan said that 200,000 were out of work in his state, and argued that this was something more than a wrinkle—a "rather deep furrow of such magnitude as to be of national concern."



President Eisenhower and his lieutenants are certainly not unaware of unfavorable areas in the economy. However, when they look at the economic picture as a whole, they feel pretty happy about it. Employment has risen 2,500,000 to a total of 62,100,000—a figure exceeded only by the 63,000,000 peak in the boom year of 1953.

Dr. Hauge looks for a continued rise, and told the governors so at Lake George, saying:

"We who do economic staff work for the President believe that a period of economic growth is about to begin."

He listed four basic conditions which, he felt, made for confidence.

One was what he called the "thrust" that a fast-growing population gives to the whole economic picture; another was the technological revolution which is "going on at an astounding rate"; a third was the American people's profound desire for "more and better," which provides a fertile field for American industry, and the fourth was what he called a breaking of "the thrall that we inherited from the long depression of the '30's, that somehow this economy did not have in it the regenerative forces that carry it on to employ the labor and capital of the country at reasonably high levels of use."

"I think," said Dr. Hauge, "that more and more Americans now are coming to the conclusion that we need not, and will not, have another depression. . . ."

The Republicans are coupling with their prosperity issue, the issue of "peace." They are not letting the voters forget that President Eisenhower promised to do his best to end the Korean War in the campaign of 1952—and that it did end in 1953.

It is a fact that the Administration is not too proud of what happened in Indochina. Some of its leaders, especially those who were talking big about "massive retaliation" and about having the "initiative" in foreign affairs, felt a little sheepish after the Geneva Conference gave the communists a great hunk of Indochina with 12,000,000 inhabitants.

The atmosphere here, and also the talk in official circles, underwent a radical change between spring and midsummer.

In April President Eisenhower was somewhat

grim when he talked about the crisis in Indochina. He told reporters that we simply could not afford to lose any more territory in Southeast Asia. He said the consequences of such a loss were just incalculable—that the fall of Indochina might pave the way for the communists to take over all Southeast Asia, a rich area with millions of people in countries like Thailand, Burma, Malaya and Indonesia.

About that same time, Vice President Richard M. Nixon made a sensational off-the-record speech here before the American Society of Newspaper Editors. He, too, said that we could not afford to lose any more territory in Asia. If it was necessary to use American troops to prevent such a loss, he said, then American troops ought to be used. He added that this ought to be done no matter how unpopular it might be in a political way.

It is reasonable to assume that Mr. Nixon was reflecting a viewpoint which was held at that time by many important people in the administration, possibly by General Eisenhower himself.

However, when the showdown came at Geneva in July, the United States made no apparent effort to block the settlement that gave the communists a good part of Indochina.

From a diplomatic standpoint—that is, from the standpoint of America's long-range interests—our passive attitude at Geneva may have been wrong, maybe even tragically wrong.



From a political standpoint, however, it was undoubtedly popular. The American people (or so it seems from a Washington watchtower) are in no mood for military adventures abroad. They want no more Koreas, even though it be argued that such could be necessary for our national security in the long run.

Adlai Stevenson, 1952 Democratic nominee for President, needled the Eisenhower Administration after the Geneva settlement. He said that Geneva was a sorry sequel to "all the foolish, boastful talk about the liberation of enslaved nations, about unleashing Chiang Kai-shek, seizing the initiative," and the talk by Vice President Nixon and Secretary of State Dulles about "massive atomic retaliation."

"Unable to fight, unable to negotiate, unable even to speak with a coherent tongue," Mr. Stevenson said, "United States policy defaulted and France salvaged what she could out of the endless, weary war in Indochina."

It seems significant that no Republican of consequence has bothered to reply to Mr. Stevenson's broadside.

But it also seems significant that no Democratic orators are going around saying that the United States should have followed a different course in Indochina.

They sense, just as the Republicans do, that the only place Americans want to fight communists right now is at home.



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HOW THE new tax law HELPS YOU

By CHARLES B. SEIB

THE new tax law almost certainly includes benefits for you.

With the impressive official title: "The Internal Revenue Code of 1954," the new law is the first real overhaul of our tax system in almost 80 years.

The Eisenhower administration and congressional sponsors feel that the measure's hundreds of changes will remove inequities, simplify tax rules and otherwise ease the burden of paying taxes. They are confident that its relief provisions will spur investment and economic expansion, create new industries and jobs.

The new law cuts no tax rates. But it does provide tax cuts by allowing you to deduct more of your expenses and to exclude from taxable income some of the money you previously had to pay tax on. Most of the provisions are effective as of Jan. 1, 1954. That means you'll be able to take full advantage of them on the tax return you file next spring.

The new tax law permits larger deductions for people with big medical bills. It cuts taxes on dividends and retirement income. It gives new tax breaks to working mothers and to parents whose children have part-time jobs while going to school. It affords benefits to farmers, clergymen, telephone company employees, widows whose husbands have just died and left them with children—and many other groups.

Corporations and other businesses get more lenient depreciation treatment and faster recovery of research expenditures. They'll find it

easier to accumulate capital and to use one year's losses to get tax refunds on earlier, more profitable, years. For the first time, the nation's 800,000 partnerships have clear rules as to how they're being taxed.

To get these long-term benefits, business firms and a few very wealthy individuals have had to accept a handful of tax-tightening provisions. The high 52 per cent corporate tax rate is extended another year. Larger firms will feel a temporary pinch from provisions gradually shifting part of their tax payments to a pay-as-you-go basis. A number of loopholes which gave unintended tax windfalls to a small group of taxpayers are closed.

Treasury and congressional experts worked on the bill for more than a year before it became law. Accountants, lawyers, corporation executives and other taxpayers gave advice privately and in public hearings that lasted for weeks and filled close to 6,000 pages of testimony.

Some of the provisions that finally resulted are so simple that it was a wonder they hadn't been enacted before—like the one permitting the Treasury Department to accept tax payments in foreign currencies. Others are complex, like the "sum of the years' digits" formula for depreciation. Many of the provisions won unanimous approval, but some sparked bitter controversies which will continue right through the November election campaign.

The toughest fight in Congress was over the Administration's proposal

to ease the double taxation of dividends. Dividend income is in effect taxed twice—once as corporate profits and again as personal income to the individual stockholder. The new law doesn't end the practice, but makes a start in that direction. It permits stockholders to exclude some of their dividends from their taxable income and to take a tax credit on a small percentage of the remainder. Some 7,000,000 stockholders will save slightly more than \$200,000,000 in taxes this year, thanks to this change. Savings will go up to \$350,000,000 a year later.

Here's how the dividend relief works. To start with, the stockholder will exclude from his taxable income the first \$50 of dividends he receives each year. If his wife also has \$50 or more of dividend income, they can exclude \$100 of dividends when they file a joint return.

Any remaining dividends are included in taxable income just as before, and Mr. and Mrs. Stockholder figure out their tax bill just as they always did. But then they deduct from their final tax bill four per cent of all dividends received after July 31, 1954, which they have included in their income. Since the four per cent is deducted from the final tax liability rather than from taxable income, it frees the family of taxes on a sizable portion of its dividend income.

Suppose Mr. Stockholder has \$1,000 in dividends each year and his wife has \$200 in dividends. Each excludes \$50, and on their joint return they include only \$1,100 of their

How the new tax law helps you *for instance:*



People with big medical bills
get larger deductions



Parents whose children have
part-time jobs get tax breaks

Tax cuts going into effect in 1954 add up to the greatest tax reduction in any year in history.

On January 1, individual taxpayers got a ten per cent tax cut, for an annual saving of \$3,000,000,000. The same day the excess profits tax was lifted from corporations, saving them \$2,000,000,000 a year.

On April 1, excise taxes were reduced about \$1,000,000,000 a year. Now the new technical tax revision law will save corporations and individuals close to \$1,400,000,000 in the current fiscal year.

\$1,200 of dividends. When their final tax bill is figured up, they subtract from that final tax liability \$44—four per cent of the \$1,100 of included dividends, assuming all the dividends came after July 31, 1954.

Some limitation is put on the amount of relief available to persons living almost entirely on dividend income. The law says the tax credit in 1954 cannot be more than two per cent of taxable income and no more than four per cent in later years.

The dividend relief ranks high among the provisions the administration is relying on to entice new equity capital for prosperity-building economic expansion. Even greater economic stimulus is expected to come from sweeping new depreciation rules, costing the Treasury about \$365,000,000 this year. Some 10,200,000 taxpayers, ranging from one-man farms and retail stores to giants like General Motors and U. S. Steel will keep that amount in tax savings.

The new rules permit businesses

to write off about two thirds of the cost of a new factory, machine, apartment house, farm tractor or other depreciable asset in the first half of its life. Formerly, only half the cost could be written off in that period.

The old law required new plant and equipment to be depreciated in most cases by deducting an equal amount each year over the asset's useful life—the so-called straight-line method. If the PDQ Bolt Manufacturing Co. bought a new machine for \$1,000 and the machine had a life expectancy of ten years, the company deducted ten per cent of the cost or \$100 a year for ten years.

Now PDQ can use instead the "declining balance" system, permitting it to write off each year twice the percentage that the straight-line method would allow, but applying this percentage each year to the unamortized balance rather than to the first cost. If it decides to use this method, PDQ will write off 20 per cent or \$200 of the cost of the \$1,000 machine the first year. That will leave

\$800 still unamortized. The next year the company will write off 20 per cent of the \$800, or \$160, leaving \$640 still to be written off. And so on.

Anytime it wants to, PDQ may switch to the straight-line method to finish depreciating the balance.

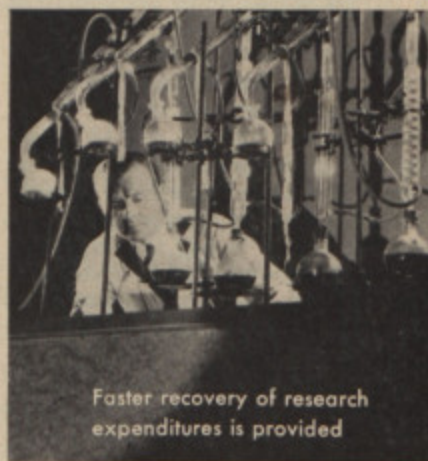
As alternatives to the declining balance method, the law also permits the use of the "sum of the years' digits" formula or any other reasonable method that does not write off more during the first two thirds of the asset's life than would be written off under the declining balance.

The sum of the years' digits method is a statistical masterpiece. The depreciation rate for any year consists of a fraction. The numerator is a number that drops by one each year, always being equal to the years of life still left to the asset. The denominator is always the same number, the sum of all the possible numerators. Thus an asset with a ten year life would have a numerator of ten the first year, nine the second year, eight the third, and so forth. The denominator would always be 55: $10+9+8+7+6+5+4+3+2+1$.

Thus the first year PDQ would write off $10/55$ of the cost of the machine, the second year $9/55$, and so on until the tenth year, when the write-off would be $1/55$ of the cost.

To be eligible for the new rules, an asset must be new, not used; it must

for instance:



Faster recovery of research
expenditures is provided



Double taxation of dividends—
not eliminated—is reduced

have a useful life of three years or more; and it must have been bought or built after Jan. 1, 1954.

Another change of great importance to businessmen is in the loss carryback section of the new law. The old law said a net operating loss from one year could be applied to reduce taxes one year back or up to five years ahead. The new law retains the five-year carryforward, but provides a two-year carryback. Thus a firm that's had a bad year and needs some extra capital can quickly get a tax refund on taxes paid in two earlier years.

This portion of the new law also liberalizes greatly the items that can be included in the loss figure carried forward or back. For example, tax-exempt interest, extra depletion allowances or credit for intercorporate dividends need no longer be deducted from the loss before it is carried over.

The carryback and carryforward changes will save about 50,000 taxpayers close to \$120,000,000 this fiscal year.

Some of the law's provisions give special help to small businesses. For example, formerly the law did not make clear whether research spending to develop new products and processes could be deducted in the year the money was spent or whether recovery could be taken only if and when the research paid off. Small firms, especially, found it hard to get

speedy tax recovery of their research outlays. Now research costs can either be deducted in the year the money is spent or can be amortized over five years or more.

Small firms trying to accumulate capital for business expansion will find that easier, too. The old law's stiff penalty tax on "unreasonable" accumulation of earnings is retained, but the standards for applying the tax will be relaxed markedly. Henceforth, up to \$60,000 can be accumulated with no challenge from the government. If more is accumulated, the burden of proving the surplus is unreasonable is on the government. Most important, if there is an unreasonable accumulation, the penalty tax will apply only to that part of the retained earnings finally proven to have been unreasonable—not to the entire amount of retained earnings, as under the old law.

Numerous provisions of the new law are aimed at clearing up the traditionally muddled tax status of partnerships—long a favorite form of small business enterprise. A highly important change permits a partnership to choose to be taxed as a corporation, if it finds that category to its tax advantage and if it meets certain conditions: It must have fewer than 50 partners; no partner may be a nonresident alien; no partner with more than a ten per cent interest can have more than a ten per cent interest in any other unincorporated busi-

ness taxed as a corporation; and capital must be a material income-producing factor or at least half of the income must come from selling property or from brokerage commissions. This last qualification rules out partnerships of lawyers, accountants, doctors, engineers or other professionals.

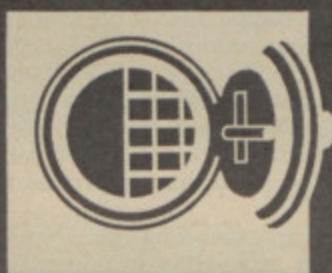
A partnership can choose to be taxed as a corporation any time within 60 days after the close of any taxable year. Once the choice is made, it can't be reversed unless there's a 20 per cent or greater change in ownership.

For those partnerships which continue to be taxed as partnerships, the new law spells out clearly the answer to questions which have been bothersome for many years: How do partners split profits on a piece of property contributed by just one of the partners? Can the partnership reevaluate the worth of its assets when one partner sells his share and gets more or less than he paid? How should payments to a retired partner be taxed? Should partnerships be free to adopt artificial fiscal years?

Retired people, individuals with large medical bills and taxpayers with dependents get the biggest benefits in the nonbusiness sections of the new law.

Some 1,800,000 retired persons will get an average tax cut of \$80 a year. If they're more than 65, they

(Continued on page 56)



Less burdensome method of taxing "retained earnings"

$$10+9+8+7+6+5+4+3+2+1$$



Businesses get more lenient depreciation treatment

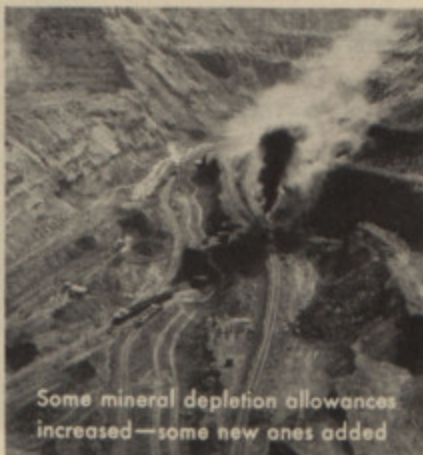


PHOTOS BY BLACK STAR, PHILIP GENDREAU

Contractors, others, who set up "expense reserves" get more liberal treatment



Tax status of partnerships has been simplified



Some mineral depletion allowances increased—some new ones added



Tax regulations brought into line with standard accounting practice



Engineers E. G. Hofmann, Leonia, N. J., and J. T. Kelley, El Segundo, Calif., (center and at right) talk to project manager R. W. Parker in course of building Caltex refinery at Kurnell, Australia

U.S. BUSINESS FINDS NEW FRONTIER

"... almost any business tackled with American know-how and energy prospers in Australia."

By **RICHARD TREGASKIS**

SYDNEY, AUSTRALIA:—The homesick Yank yearning for some American music in this vast continent Way Down Under can find plenty of it in the phone book. There he will find such nostalgic sounds as Heinz' 57 Varieties, General Motors, Vaseline Hair Tonic, Coca Cola, Lockheed and Douglas, International Harvester, Monsanto Chemical, Goodyear, Standard Vacuum and Caltex.

Many of these names are compounded, tied into Australian firms, so that they read General Motors Holden's Ltd., Colgate-Palmolive Pty. Ltd., or Caltex Oil (Australia) Pty. Ltd. (The abbreviation "Pty." stands for Proprietary and identifies privately owned firms as opposed to those whose shares are available on the open market.) But the delightful American feeling, often some spark-plugging American company personnel, and usually at least 51 per cent of the capital—these items are there behind the name to make Yanks feel at home.

Already, the Australian Treasury Department estimates the capital value of American firms in Australia at \$350,000,000. By capital value is meant plant and inventory.

Probably four fifths of this vast investment has come into being since World War II. The board chairman of the International Harvester Company, of Australia, Walter W. Killough, said this about the big American firms Down Under: "We've all increased about eight times since World War II."

According to Jerry Warner, manufacturing director of H. J. Heinz & Co. Pty. Ltd., "Our sales have gone up five times what they were in 1946." The Australian Heinz company is now building a \$7,000,000 plant four times the size of its present factory.

The president of one large American-Australian subsidiary told me that his company's net profits each year are greater than the company's original capital investment.

The biggest spates of American capital are being thrown in by oil companies. Caltex and Standard Vacuum are spending more than \$45,000,000 each for new oil refineries near Sydney and Melbourne respectively. Caltex is putting millions into a new oil well in the West—Australia's first oil discovery. Standard Vacuum has the main interest in a promising oil-drilling operation in the Australian-controlled territory of Papua.

Australia is a rich, expanding country as big as the U. S., and possibly as wealthy in minerals as we are. The Australian government is building the nation's small population with a proportionately huge subsidy to migrants from England, Europe and America. And the governmental structure is one of the steadiest in the world.

Small businesses based on American capital and know-how are flourishing like the larger ones in Australia. Example: Albert Konz, of Norfolk, Va., opened the Downeyflake Restaurant in Melbourne in June, 1950, serving American food. The menu included besides coffee and doughnuts, such Yankee dishes as beefburgers, cheeseburgers, waffles and pancakes. Konz served 1,500 meals a day in 1950. He now puts out 4,000. He started with a staff of 65—now he has 120.

Another small business is an Arthur Murray dance studio in Sydney. Run by an Ohio state engineer and his wife, Craig and Lucille Christen, this enterprise is



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VAP

Australian most modern Food Factory will be
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Pretty June Mallett, buyer for a Sydney department store, carries home some "required reading"



International Harvester's Walter Killough, left, talks over Australian plant's problems with executives Mervin Lee and George Seemeyer



Chesebrough's manager Down Under, Ralph E. Ward, has sped popularization of firm's products

NEW FRONTIER *continued*

showing a fine profit. The Australians seem friendly toward Americans and American ideas.

A recent boost to American business is the abolition of double taxation. Until last year, American subsidiary companies in Australia had to pay full income taxes to both Australian and U. S. governments. But now an international agreement protects the subsidiaries: the Australian tax is subtracted from the U. S. tax liability. The Australian company tax is 35 per cent and 15 per cent on dividends. The U. S. tax is on the remainder, up to the regular U. S. tax level.

Of course, there are some rough spots in the generally smooth and shiny picture of American capital investment in Australia. One is the labor shortage.

Despite the large amounts of money Australia is spending to bring in migrants, there is not enough population to supply the labor markets. The migrants, coming in at the rate of about 200,000 a year, are snapped up as soon as they arrive. In all the big newspapers are several pages of help-wanted ads, and no "situations wanted." The government fixes minimum wages (called "awards"), but employers offer extra inducements such as "attendance bonus," meaning a reward for reporting to work every day; height money, a graduated scale for building workers laboring above ground level; and dirty money, for jobs involving grime and dust.

With labor shortage comes the expected amount of worker independence. A man or woman can walk off the job any time and get another location easily. The laborer is protected by stringent union rules—providing "amenities" such as time breaks for tea in the morning and afternoon. And the Australian worker is influenced by the "wind from Polynesia"—he loves sports, especially sports in which he can participate, and he is likely to be more serious about athletics than about business.

Many Australians will tell you that Americans work too hard, and they point out that it is more sensible to sacrifice a little efficiency for the sake of living longer and enjoying life a bit more.

The Australian government agencies—federal and state—encourage this philosophy with appropriate laws. Sharp fines are levied against shopkeepers and factory-owners who stay open after six o'clock. To protect workers, wages are fixed, and so are prices on many items. The government considers price-fixing a legitimate device for keeping down the average Australian's cost of living—not as an emergency or wartime measure. Americans operating businesses in Australia warn newcomers to check on the recent history of the item they intend to supply to see if it has often come under the control of one of the price-fixing boards.

But against these considerations should be weighed the facts that business competition is less strenuous, markets are good, and Australian labor's hourly wage is about 80 cents.

Australian officialdom is progressive enough to take measures to encourage the migration of American capital. In the words of a high Treasury Department executive: "We find we are remitting dollars to America, but we gain in two directions: first, we get good factories, equipment and key

(Continued on page 81)



Philip Morris' Walter J. McFadden watches plant rise in Melbourne suburb

PHOTOS BY TOM HUTCHINS



Tea break is morale builder for General Motors-Holden employes at Melbourne



An Australian storekeeper proves his liking for U. S. soft drink he now sells

Albert Konz, formerly of Norfolk, Va., talks with employe in his prospering Melbourne restaurant





Music industry

THE music industry in America is a billion-dollar business as well as art. Our total expenditures for tunes and hymns, concertos and symphonies, "pop" and classical music and juke box harmonies, including the instruments and other appurtenances, run well above \$1,000,000,000 a year—probably closer to \$1,500,000,000. And 1954 promises to end up as a banner year, according to the National Association of Music Merchants.

For pianos and piccolos, French horns and violins, oboes and saxophones and harps, and the myriad other devices for making melody, the American public is playing a tune on the cash register more than \$1,000,000 a day for each working day of the year. The latter part of the year is the "boom period" for instrument sales, with 60 per cent of the year's business done in September, October, November and December. With an anticipated instrumental gross of \$325,000,000 for all of 1954—equal to 1953, a peak year—these bright autumn days are good for \$195,000,000 of that, or better than \$1,911,000 a day in fall sales, excluding Sundays, Labor Day, Thanksgiving and Christmas.

Remember the old-fashioned player piano, where a person who didn't know one note from another could fill the neighborhood with military marches, plaintive love songs, classical music or jazz hits of the day—all with a more or less mechanical flavor—by inserting a roll and turning on the power? Several manufacturers are dabbling with the idea of reviving these, with modern improvements to give the touch of the artist.

Meantime, piano sales are rolling along, with the National Association of Piano Manufacturers expecting that upward of 150,000 units will be sold before the end of 1954; last year's sales were in that range. With Liberace's sensational TV and concert career in piano, a substantially greater interest in the instrument has been registered, and a consequent surge in sales. One manufacturer had on display at the fifty-third annual Music Industry Trade Show and Convention in Chicago a portable piano identical to the one Liberace uses on TV, done in white pearl "to match the teeth of his famous smile."

Piano manufacturers have set themselves for the long pull to restore piano sales to the golden level of 1923 when 343,050 uprights and grands were placed in homes, schools, concert halls and churches. Few businesses took the beating during the depression that piano manufacturers did; sales dropped to 27,274 in 1932. An estimated 11,000,000 pianos are in use in this country today, but seven out of ten of them are out-of-date, disclosing a vast replacement market as well as the virgin territory of millions of new homes.

Pianos as a business asset are coming to the fore. Banks and other lending institutions now consider installment financing of the instruments a profitable enterprise, with this advantage over automobiles: Depreciation is much slower. The Security Bank of Washington, D. C., loans \$500,000 a year on pianos.

Ukuleles have been enjoying a boom for years under the spell of Arthur Godfrey and the Hawaiian melodies he strums. The guitar is on the upsurge, what with the play it gets on television and in cowboy pictures of the Wild West; likewise the banjo. The music world calls these homespun melody makers "recreation instruments." The president of the National Association of Musical Merchandise Manufacturers said that 1954 would see 400,000 of these instruments sold, with an \$8,500,000 intake.

Interest in folk music has also stimulated music sales, and this summer the humble guitar broke into highbrow company. At the Berkshire Music Festival in Massachusetts, a folk music workshop was conducted featuring serious exponents of the guitar. In sales, guitars of the Spanish classical type and the electronic variety are high in popularity. New lines of classical guitars are being offered for concert use.

Juke box music and high fidelity, or hi-fi for short, are running the \$300,000,000 classic this year, the juke boxes having hit that mark in 1953 and maybe excelling it in 1954. Hi-fi is coming in on the home stretch with a phenomenal burst of speed. In 1953, manufacturers registered record-breaking sales of \$200,000,000; their 1954 goal, which they are confident they will attain, is \$300,000,000 at the retail level.

It's a bull market for band instruments, with 1,000,000 pupils playing in 40,000 school bands throughout the country; the number of students is increasing eight to ten per cent annually, and the percentage enrolled in music is greater than that. School bands are increasing at the rate of ten per cent a year. With grade schools now bursting with the war babies of a decade ago, the crest of the wave won't hit the high schools for several years. Booming enrolments and expanding music activities will keep instrument manufacturers at high production, they believe, until the 1960's.

Classical music is becoming increasingly popular. Concert halls extracted more money in 1953 from the pockets of the public than baseball, according to *Billboard Magazine*, with \$50,000,000 taken in at music windows and \$40,000,000 at the diamonds; 1954 promises a vigorous repeat. The whole classical intake from concerts, records and other sources grossed an impressive \$125,000,000—something for the cultural alarmists to cogitate about. An estimated 35,000,000 persons attended paid concerts (not including millions at free recitals) in 2,100 communities. Classical records accounted for 30 per cent of the disc industry's total business of \$225,000,000.

The sheet music business rolls up an average yearly total of \$30,000,000, with 1954 promising to exceed that, according to the American Music Conference. Not in this picture are church hymnals and gospel song books and music books for schools, which add up to several millions more.

The American Music Conference estimates that more than 25,000,000 Americans today play musical instruments, the piano topping the list with 18,750,000; violin, guitar and ukulele, each 1,500,000; accordion

plays billion \$ tune

850,000, and electric organ 450,000. Other instruments have fewer players. It places the number of instruments at 27,000,000.

One curious twist of the music business is the return of the organ to the home; one manufacturer at the Music Industry Trade Show and Convention reported 87 per cent of his organ sales since World War II have been instruments for the fireside. Popular is the new electronic chord organ, a midget among the mighty. Strange, too, is the widespread search being made in the barns and attics of old-time farms for discarded, footpedal organs of 50 to 100 years ago. Rural folk wonder at the strangers who come around offering \$5 to \$10 each for the ancient instruments. But the buying gents are not so queer in hauling out the forgotten, dust-covered organs. They overhaul, clean and polish them up, put them in tune, and sell them for anywhere from \$50 to \$500 each. The refurbished instruments have become a smart addition to modern homes.

Body styling in musical instruments is taking a tip from the auto industry, as discriminating customers buy for looks as well as performance. Attracting a lot of attention at the music show was an Italian Palladian-style piano, constructed of French cherry in a warm patina finish. It is different from conventional styling, with strong, simple lines permitting it to blend naturally with the ultramodern in furniture or with the classic Italian motif in home furnishings.

Auto accessories are familiar to almost everyone; but did you ever hear much about music accessories? They are big business—about \$30,000,000 worth a year and include a wide range of items, such as mouthpieces, reeds, banjo picks, strings and keys for strings, batons, instrument cases, valve oils, polishing cloths, liquid record cleaners, replacement styluses, diamond and sapphire for hi-fi. One of the most unusual is Damp-Chaser, used in electric organs, conventional pianos, drums, timpani, and other instruments. It is an electric heat tube for the elimination of moisture.

Music dealers over the country are going after business by exposing people to the charms of music. In fact, the trade show had as its slogan "Expose Our Merchandise." Piano music festivals are popular in many communities, with music merchants offering prizes and instruments for practice. One large mid-western company this year gave away 75 grand pianos for churches, schools and clubs, with votes with purchases. The contest brought in \$2,600,000 in business.

A music professor in Houston, Texas, has 5,000 enrolled in television piano classes, and affirms he can teach 1,000,000 at a time to play the piano. By following a large electrified keyboard with bulbs that flash on the keys he is pressing by remote control, his TV pupils learn to play a simple tune in a single lesson. One man who had had three years of personal music instruction couldn't play "Home on the Range," but by the Sighted TV method he learned to play it in five minutes. In one of the courses offered, college

credit is given. Music merchants at the convention were impressed by the possibility that widespread TV instruction might produce a wave of piano sales.

In the old days a hit song of the popular variety was good for 1,000,000 sales in sheet form; now it is going strong if it sells one third that number. Earlier, you rolled your own, either in playing or singing the piece, or got some good Samaritan to do it for you. Now millions get their hit songs on records or listen to them via radio or TV, and wear them out that much faster.

Then, the hit song was almost bound to be of the "pop" variety; now classical or standard music has brushed past the popular in the sales race. Then, only a negligible amount of band music was sold; now it is booming, with the skyrocketing of school bands.

The ramifications of music, from the business as well as artistic standpoint, are limitless. No survey has been made of the amounts paid to 500,000 private music teachers, some on full-time, others part-time, for lessons. Yet the amount must run into many millions. Likewise, the 250,000 churches in the nation must spend a minimum of \$100,000,000 a year on their choirs, music supplies, salaries of directors and organists, organ maintenance and special soloists.

Like the auto in the early days, great music was only for the few a generation or more ago. About all the music the general public heard was the drumming on the piano by an amateur player, the hodge-podge singing of the village choir, or an occasional concert of a sort by the town band. Great singers and concert artists were heard by only a few thousand people a year; operatic names were familiar, but not operatic voices. Summer Chatauquas and winter lecture courses brought to many communities only a touch of what was high class in the music realm.

The phonograph first, then radio introduced great voices and great orchestras and choruses to millions of music-hungry people; television gave the living picture. The masses came to be as familiar with the finest in music as those who haunted the opera houses and concert halls.

First it was as hearers, now it is as participants in music that America plays its role. It's the familiar audience participation on a nationwide scale. There's scarcely a household now, especially with growing children, which doesn't have a singer or instrument player of some sort. It's a contagious sort of thing, because it has been discovered that millions of families are not content with a single musician; other members of the household tend to pick out an instrument and learn to play it, or join a chorus or choir and engage in singing. The old-time "singing bee" about the family organ is evolving into a "playing bee," where members of the family sing or orchestrate together—often producing a dual harmony, domestic as well as musical.

It's a sweet melody for the music industry. Art has its business side, and when the latter reaches the stage of the music industry today, it is big business plus, with a world of promise for the future.

END

—WILLIAM F. McDERMOTT



WIDE WORLD

GOD

BY BILLY GRAHAM

THE Apostle Paul once wrote a letter to some men in busy, bustling, commercial Rome and among other things he said: "Be . . . not slothful in business; but fervent in spirit; serving the Lord."

Thus we have the suggestion from the Scripture itself that faith and business, properly blended, can be a happy, wholesome and even profitable mixture.

Too long have many held the idea that religion should be detached from life, something aloof and apart. Still others have thought that the Christian faith and business are not compatible, that the one opposes the other. Perhaps this is true of the business of the quack, the crook and the racketeer; but it is certainly not true of legitimate business. Many or perhaps most of our traditional business axioms are fragments of scriptural truth. For example, this one: "Honesty is the best policy." In this

same letter from Paul to the Romans we read: "Provide things honest in the sight of all men."

In our crusades, both in America and England, I have been impressed with the preponderance of businessmen in our meetings and their enthusiasm for a vital, working, practical faith in God. It seems in recent years that they have made the discovery along with millions of others that faith is essential to radiant and full living. Through their practical method of trial and error they have arrived at the conclusion that religion, real religion, is not just an appendage to life—it is the very secret of abundant living, it is life itself.

Materialism, the popular intellectual gimmick of the last few decades, has had its day; but it is losing its glittering charm. It placed the accent upon "things" just as communism does today. But wise men are finding out that the words of the

Nazarene: "Seek ye first the kingdom of God and His righteousness . . . and all these *things* shall be added unto you" were more than the mere rantings of a popular mystic; they embodied a practical, workable philosophy which actually pays off in happiness and peace of mind.

If we apply Christian principle with an eye toward the profit it might bring us, we are putting the cart before the horse. But if we put morals before money and God before gold, the rewards are rich and abiding.

In England they tell the story about the first Queen Elizabeth asking a wealthy English merchant to go on a mission for the Crown. But the merchant remonstrated, saying that such a prolonged absence would be fatal to his business. The Queen replied: "You take care of my business, and I will protect yours."

When he returned, he found that his business through the patronage of the Queen had increased in volume, and he was richer than when he left.

In the same way every businessman can well afford to place spiritual values ahead of material values. Thousands of businessmen have discovered the satisfaction of having God as a working partner. It puts integrity into their organizations, sincerity into their sales, and spiritual and monetary profits into their hearts and pockets. And when the busy day is through, one can lie down in ulcerless repose with the quiet assurance that all things work together for good to them that love God and are working with Him.

This incessant conjuring up phantoms of business failure, fretting over declining stocks, worrying over employment problems, being harassed by undue anxiety, and having fitful dreams about the burdens of heavy taxes has created a lot of neurotic, psychotic hypochondriacs who are unfit to be leaders in our industrial and business life.

Religion and business is a good combination because it first meets the needs of the individual businessman. A business, like a chain, is no stronger than its weakest link. A bank is no stronger than its weakest executive. A merchandising organization has no more integrity than its

BEFORE GOLD

trickiest representative. Therefore, morality is vitally essential to a progressive business, and religion is the greatest known stimulus of morality and integrity.

The late Asa Candler, the Coca-Cola king and an ardent church worker, said to us one day: "What the world needs is integrity, and we can only get that from God."

Of course we are not saying that men with no religion are all dishonest and without principle. But I do believe that directly or indirectly moral strength comes from Almighty God. And multitudes of our business leaders are turning to faith as a certain answer in an uncertain age.

Roger Babson, a businessman and well-known statistician, has said: "Statistics and economic history clearly show that the world must progress in balance. That is, materially, spiritually and socially, at approximately equal rates of growth. This means that, following a period of war or depression, prosperity can only return as people catch up spiritually. I therefore think that the principles of Christ are the only solution to our economic, political and international problems."

As individuals, perhaps we are still behind, but we are beginning to "catch up" spiritually.

The Gideons, a worthy organization of Christian businessmen, who distribute thousands of Bibles annually, report an upsurge of interest in Bible reading among commercial men. The demand is almost greater than the supply. Many industries have employed regular chaplains, while scores more have planned religious or devotional services. Religion, once a subject which was "taboo" in the shop, is now discussed freely and frankly by the workers; and some industrial leaders conduct their own shop meetings for their workers, and with signal success.

Yes, religion has a place of real and distinct value in business because it meets the basic needs of the individuals comprising that particular business.

Second, religion has a place in business because it definitely contributes to improved manager-labor relations. Faith in God is first an up-

reach and then it is an outreach. We cannot be right with God and wrong with our fellow man. God is the Integrator of human personalities, and in Him there is no discord.

When the Golden Rule is applied, it inevitably brings its healing, healthful, harmonizing results. When management does for labor what it would like labor to do for it, labor is inspired to reciprocate.

When workers discover that management is motivated by the spirit of fair play rather than driven by greed, their response will be wholesome and gratifying. When they find that religion is not just a Sunday affair but that it is brought into the business as a working theory, labor will respond with more efficiency and improved skill. The whole operation is lifted from the low plane of greed to the high plane of graciousness and generosity.

Practical Christians—not just pious Pharisees—are much sought after today in business. In London our crusade office had many requests for the names of individuals who had been genuinely converted as prospective employees. Not only are sincerely religious men desirable as employers, but they are also in demand as employees.

Businessmen are witnessing the effectiveness of shop prayer meetings. A good slogan might be: "The plant that prays together profits together."

One employer said about such prayer meetings: "These services have brought a spirit of brotherhood into the plant." It is difficult to imagine labor trouble in such an atmosphere.

Obviously, the labor movement which many feared was once motivated by Marxist doctrine is making a switch back to the faith of their fathers. Or perhaps down deep they had not really wandered so far away as it seemed.

Prayer groups are being held in manufacturing companies, textile mills, coal mines, auto plants, movie studios and many other such places.

In our crusades we always conduct shop and factory meetings; and never have our audiences been so large, never have they listened with more rapt attention, and never has

the response been so great to this phase of our ministry.

In England the general treasurer of the Greater London Crusade was a leading industrialist, Mr. A. G. B. Owen; and at Haringay Arena every night we witnessed leaders of industry standing beside wage earners, together making their decision for Christ.

Some of our greatest religious leaders are top men in American business and industry. J. C. Penney, Stanley Kresge, R. G. LeTourneau, and scores of others equally great have corroborated the fact that religion and business can be mixed for the spiritual and material profit of all concerned.

But I think a third conclusion might be made, and that is that religion in business contributes to good business-buyer relations.

The old theory that one must employ skulduggery and medicine-show practices to profit in business is of course outmoded and out-of-date. Fly-by-night promoters and confidence men as a rule end up in the lap of the law. The wages of their sin of principle is the death of their business.

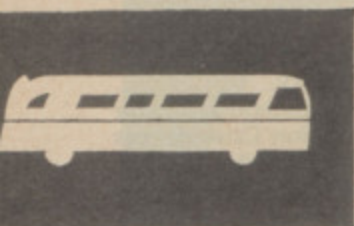
"Crime doesn't pay" is a street version of the Bible verse which says: "The wages of sin is death." Thus we see how religion and the Bible have had their bearing upon modern thinking and business practices.

I heard of a man in the coal business who had a change of heart, and in his zeal he sought out his partner and asked if he would not join him in his newly found faith. "Look here," said the partner, "if I get right with God, who will weigh the coal?"

Religion does have a bearing upon manager-consumer relations because it puts heart and morality into the operation. It makes fair trade more than a word, because the Golden Rule is applied.

It is said that Mark Twain, realizing that the publishing house he owned faced bankruptcy, knew that the law would permit him to escape an enormous debt. As an honorable man, he determined not to evade but to face the responsibility. At the age

(Continued on page 55)



TRANSPORTATION'S PEACETIME BOOM

*means new jobs,
new markets*

By WILFRED OWEN

THIS year the American people are going for the biggest ride in history. Travel by train, bus, plane and automobile during 1954 will take them three quarters of a trillion miles. And the volume of freight traffic will be the equivalent of moving a ton of material 6,800 miles for every person in the U. S.

According to one calculation, the miles traveled by motor vehicles alone will figure out to 31 round trips to each of the planets in the solar system, with a side trip to the sun. The distances, in any event, are astronomical.

The transportation system has been rolling and winging its way to new records of growth and change ever since the shift from full mobilization in 1945. There are 25,000,000 more vehicles on the highway than in 1940; 57,000,000 vehicles altogether. Compared with the prewar peak, today's traffic jam is nearly twice as bad, truck traffic has tripled, and a 12-fold increase in air travel has made the airline system a lusty \$1,000,000,000 business.

The expansive mood of American gadabouts is illustrated by events on the New Jersey Turnpike. The 22,000,000 motorists who passed through the toll gates last year exceeded predictions by an embarrassing 13,000,000. The people who used the road in 1953 were not expected to show up until 1976.

But the fastest growth has been experienced by the airlines, which have boosted traffic volume from fewer than 3,000,000 passengers in 1940 to more than 35,000,000 this year. In 1940 airline travel was only 14 per cent of the first class business on the railroads. Now air traffic is close to double that of railroad Pullman, and the airlines are spending more money to feed their passengers than they spent not so many years ago to fly them.

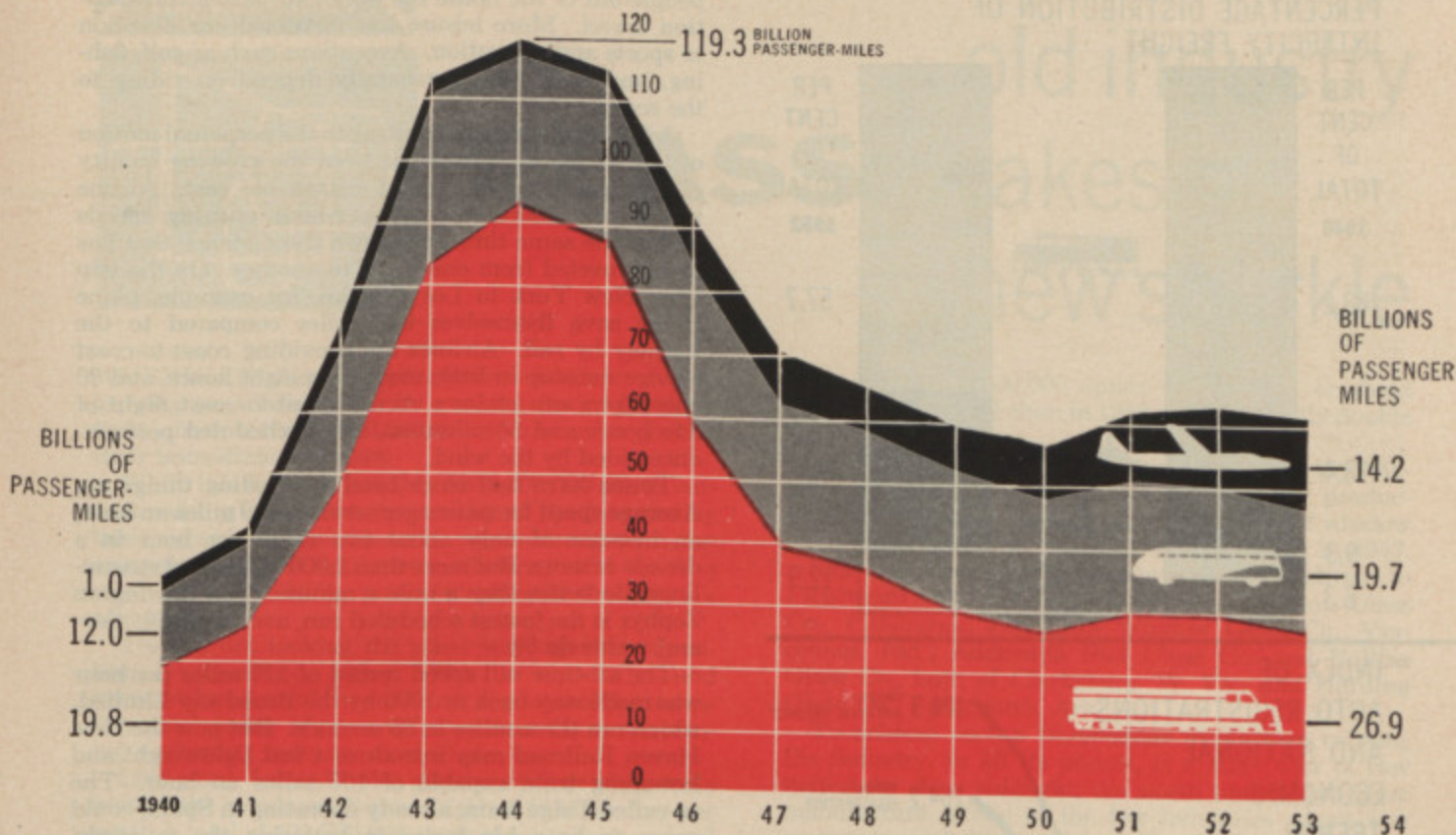
In terms of revenues earned, American Airlines has become the nation's number one intercity passenger carrier. American is far out ahead of the second place

Pennsylvania Railroad. Last year for the first time there were more airlines among the first ten passenger carriers than there were railroads. United, Eastern and Trans World Airlines accounted for more domestic passenger revenues than the New York Central, New Haven and Santa Fe Railroads. Capital and Northwest Airlines completed the list of the big ten.

The big surge in traffic since the end of the war has doubled the amount of taxi riding and loaded 100,000,000 more passengers into intercity buses. Transit lines, hard hit by the automobile, are still carrying 12,000,000,000 riders a year, and the railroads are still enjoying more passenger volume than before World War II. Buses account for 30 per cent of the intercity passenger business performed by public carriers, airlines 21 per cent, railroads 46 per cent, and inland waterways carriers and electric interurbans the other three per cent.

On the freight side the railroads are doing 50 per cent more hauling than they did in 1940, and they carry more than 50 per cent of intercity business. A greatly expanded pipeline system, covering 173,000 miles of routes, carries three times the tonnage of petroleum moved by pipe before the war, and pipeline traffic now rivals in volume the greatly expanded traffic of intercity trucks. Freight moving by water on the Great Lakes, the inland waterways and in coastal waters is nearly double the traffic of 15 years ago.

The big upsurge in passenger and freight transportation, like everything else that has mushroomed since the war, has resulted from the tremendous growth of population in the United States and the continuing high levels of economic activity. There are now 30,000,000 more of us than in 1940 and, with the average citizen traveling an estimated 5,000 miles a year, the boost in population has meant an added 150,000,000,000 miles of traffic. There is now a net addition to the population every 12 seconds, which means an additional 216,000 potential nomads every month.



More people mean not only more moving around but more food and supplies of all kinds to keep them going. For every person in the United States about 16 tons of materials are consumed annually. The average inhabitant needs seven tons of fuel for heat, power, and transportation; five tons of bricks, cement, and other building materials; four fifths of a ton of food; more than two tons of other agricultural products for such items as paper and clothing; and a ton of metals and other minerals.

It takes 17,000 freight trains a day to supply that much transportation—a train every five seconds. And the average train these days carries 62 freight cars. The railroads, which are the great bulk carriers of heavy freight, can account for more than 55 per cent of all their freight traffic in ten very important classes of shipments: bituminous coal, iron ore, gravel and sand, stone and rock, wheat, manufactured iron and steel, anthracite coal, pulpwood, cement, and lumber.

Sheer numbers, then, account for a lot of the pushing and hauling of supplies and the coming and going of people. But growth of population has been accompanied by another important change: People like to live and work where their need for transportation is much greater than it used to be. One notable shift has been from city to suburb, and another from the eastern part of the country to the West and Southwest.

From 1940 to 1950, America's suburban population grew 35 per cent while the rest of the country was registering a 14 per cent gain. Moving to the suburb means longer trips to work and to the store, and greater dependence on the automobile. In cities of more than 500,000, for example, only 54 per cent of all families are car owners, and they travel an average of less than 8,000 miles. In the smaller towns in metropolitan areas 73 per cent of all families own at least one car and annual mileage is 25 per cent higher. In the suburbs the two-car family is no longer a rarity.

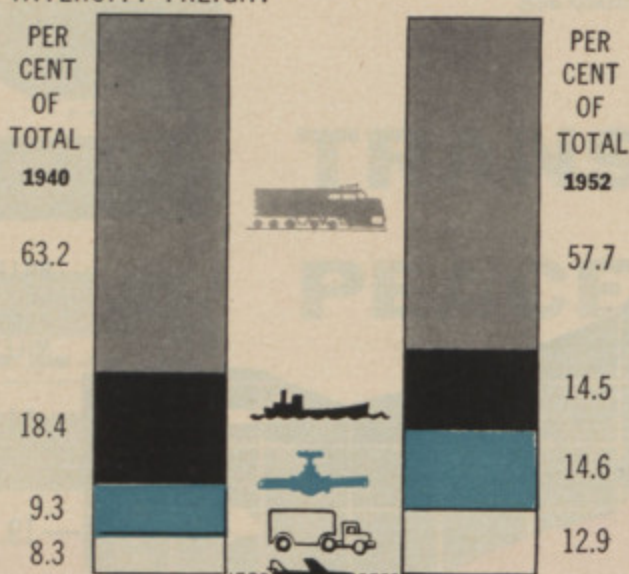
The shift in population from East to West has resulted in longer hauls across the country for airline, railroad, and truck. Population in the Far West during the decade of the forties increased 48 per cent, a rate three times the national average. Automobile ownership is much higher in relation to population in the West than in the East, partly because incomes are higher, and frequently because no other form of transportation is available. In the northeastern states, for example, six families out of ten own cars, whereas in the western states eight out of ten are motorized.

The fact that Americans can afford so much for transportation stems from another factor—the high levels of employment and income that have accompanied growth of population. Sixty-two million people at work means greater production of goods and services, more transportation from home to work, more materials hauled to the factory, and more finished goods shipped to final consumers. Sixty-two million pay checks mean the biggest shopping spree in history; and today's shoppers come on wheels.

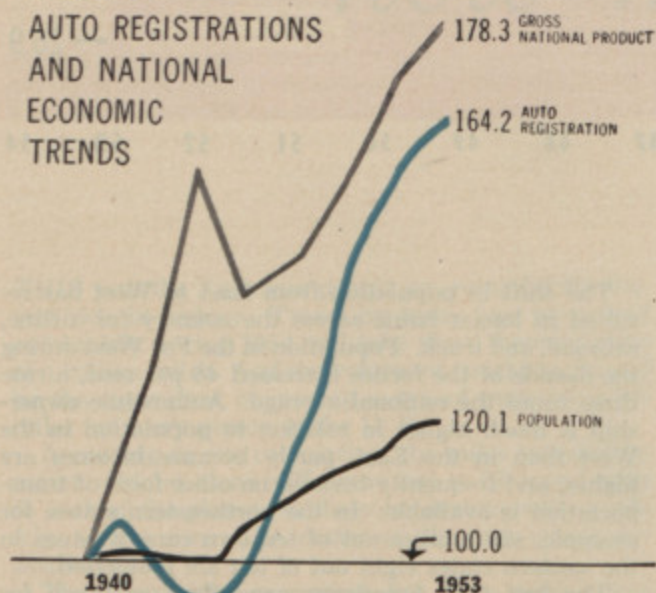
Higher personal incomes have had a lot to do with the amount of money families spend for transportation. One study showed that, of every 100 families with an income of \$2,000 or less, 45 had one car and two had two cars. But among those with \$5,000 or more per year 85 out of every 100 had at least one car and 24 had two cars or more. Expenditures for rail and air transport also reflect family income levels. Little is spent for intercity public transportation until income rises to the upper middle and higher income brackets. So the shift of millions of families from very low incomes to more ample budgets over the past two decades has meant a big boost in travel as well as a bigger demand for goods.

Another set of factors that helps explain the growth of traffic since the war is the five-day week and the paid vacation. Time and money have joined forces to get

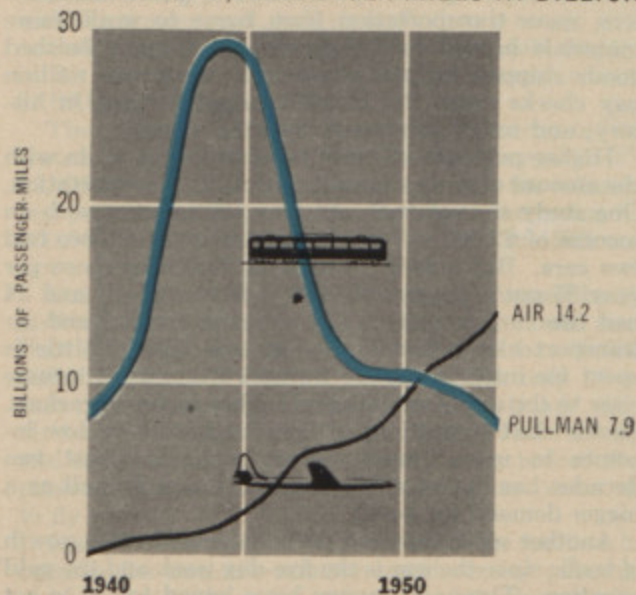
PERCENTAGE DISTRIBUTION OF INTERCITY FREIGHT



INDEX OF AUTO REGISTRATIONS AND NATIONAL ECONOMIC TRENDS



TRAVEL ON SCHEDULED DOMESTIC AIRLINES AND PULLMAN CARS; PASSENGER-MILES IN BILLIONS



people out of the house for week-end jaunts and vacation travel. More leisure has increased our devotion to sports and recreation. Avocations such as golf, fishing, and even hiking generally depend on riding to the scene.

A further factor contributing to the perpetual motion of the American people has been the growing quality of transportation service at reasonable cost. Airline travel now offers 360 mile-per-hour cruising speeds and at the same time cuts down the distance that has to be traveled from one place to another. On the trip from New York to Los Angeles, for example, plane riders save themselves 628 miles compared to the journey by rail. Airlines are providing coast-to-coast service nonstop in little more than eight hours, and 60 passengers can claim a record coast-to-coast flight of five hours and 55 minutes—an unscheduled performance aided by the wind.

Trains have had more trouble speeding things up. Average speed for passenger service is 39 miles an hour, an increase of only about two miles per hour in a decade or more. But more than 2,000 individual streamliners do better than a mile a minute. The Burlington Zephyr is the fastest scheduled run, averaging 86. Several trains do 80.

The all-time rail speed record of 127 miles per hour was made way back in 1905 by the Broadway Limited, which ran three miles in 85 seconds. But now the New Haven Railroad may introduce a fast lightweight and low-slung train capable of 105 miles an hour. The so-called Talgo train, already operating in Spain, could prove to be a big factor in bettering the railroads' passenger position.

The railroads have also been paying increased attention to service, comfort and convenience. Strato Dome travel affords a better look at the scenery, and now the newly developed Siesta car promises to provide roomette sleeper service for only slightly more money than it costs to go by coach. On the highways Scenicruiser buses furnish the traveler with an elevated rear-deck view of the countryside.

The safety of transportation has improved all around. For each fatality in 1953 the airlines, domestic and international, were flying a record 200,000,000 passenger miles. Twenty-four of our scheduled airlines have never had a fatal accident. And on the basis of railroad fatalities to miles traveled, a passenger might ride across the country by rail from coast to coast 239,000 times before anything deadly catches up with him.

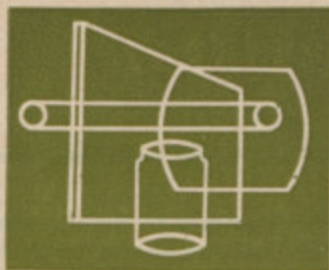
Fares are another attraction that has persuaded people to leave home. Family plans offered by the airlines and more recently by some railroads offer regular service at low rates. Air coach provides low cost travel that appeals to one out of every four airline passengers. A hop around the world on tourist flight costs about \$1,227.

Pan American Airways offers an easy payment plan which allows a traveler to visit 83 countries by paying only ten per cent down and the balance in 20 easy instalments. Last year more than 500,000 air travelers charged their flights through the airline credit plan operated by 69 carriers throughout the world.

Trips abroad are running at more than three times the prewar annual average. Air travel is out in front: Last year 1,700,000 people flew between the United States and foreign countries while 1,200,000 made the trip by ship.

Not all the bargains are to be found in the passenger field. Railroads are carrying freight for an average of 1.3 cents per ton-mile, the same as in 1921. One reason: Diesels can haul a ton one mile on two teaspoonsful of oil. Trucks, which

(Continued on page 79)



GLASS: old industry takes on new sparkle

AMERICA'S glass manufacturers—jubilant over a growing population with its growing desire for more light—have set a \$2,000,000,000 annual sales goal as their immediate objective.

While this figure is possibly \$350,000,000 above current sales, glassmakers are confident that expanding basic uses, intensive research, population growth, increased plant and equipment efficiency add up to a vigorous and growing place for glass in the nation's economy.

They're not looking the other way where competition is concerned, either. This is especially—and necessarily—true of the container segment of the industry, which today is growing faster than the mushrooming packaging industry as a whole.

Last year, for example, glass container shipments topped the previous all-time high of 1946 by five per cent. A total of 121,500,000 gross of containers, valued at about \$600,000,000, reached the shelves of stores and homes in every corner of America.

Vast numbers of these containers are returnable bottles. Their use actually totals about 74,500,000,000 units of glass-packed merchandise—an average of 465 for every man, woman and child in the U. S. in a year.

The glass industry—unique in that its basic product has altered but little in the past 5,000 years—packages thousands of varied products, lets light into homes, stores and factories, plays an integral part in the communications industry, whether as a small tube in a radio or a 24-inch TV picture tube. Without the glass maker's art, the electric light bulb and the fluorescent tube would be impossible. Without special glass products, adapted for a multitude of uses, our great scientific laboratories would lie idle—and the host of products they, in turn, develop would be lost.

A number of subdivisions make up the glass industry. These may be roughly identified as containers; plate, window and wire glass; fiber glass; table and household ware; electronic tubes and bulbs; tubing; optical and architectural glass. Some 300 plants, scattered throughout the country, produce the vast bulk of glass used in the U. S.

Most of our domestic tableware, ornamental and household glassware is produced by 126 small, closely-held, "family" style companies. Indeed, speaking from an industry-wide view, comparatively small operations in specialized lines have been a salient feature of U. S. glass manufacture since its beginning.

Such, however, is not the case with the plate and window glass makers. The two giants in this division are Pittsburgh Plate Glass Co. and Libbey-Owens-Ford of Toledo. Together, they make almost 90 per cent of all domestic plate glass and 60 per cent of all our window glass.

Besides Pittsburgh and LOF, two other companies—Franklin Glass Corp., Butler, Pa., and the Ford Motor Co.—manufacture plate glass, and five others produce window glass. These nine firms last year turned out

more than 1,700,000,000 square feet of glass, or about eight per cent more than in 1952 and practically double the output of 1940.

Their output this year is expected to top 425,000,000 square feet of plate glass—double the production of 1947—and 1,350,000,000 square feet of window glass, compared with 947,000,000 square feet in 1947.

The five producers of window glass, in addition to Pittsburgh and LOF, are the American Window Glass Co., Pittsburgh; Blackford Window Glass Co., Vincennes, Ind.; Adamston Flat Glass Co. and Rollins Glass Co., both of Clarksburg, W. Va.; and Harding Glass Co., Fort Smith, Ark.

To achieve such a tremendous production volume, the industry, in all its phases, is a large user of raw materials. As a sidelight, it's worth noting that glass manufacture is one of the few industries where raw materials are fed into a furnace and become a finished product with no intermediate steps. Sand, of course, is the principal ingredient of all glass. Approximately 6,000,000 tons were used last year, together with 1,600,000 tons of soda ash and 250,000 tons of lime.

In addition to the benefits accruing to the glass industry from America's enthusiasm for more light in homes and offices, the modern American automobile also has earned the plaudits of glass makers.

The typical car today has from 20 to 25 per cent more glass than the car of 1949.

Development of new and higher-value fabricated products, such as the one-piece curved windshield, have been a boon to the glass manufacturer. Then, too, a house which once required \$14.75 worth of ordinary window glass now has been re-designed for modern living to use \$200 of insulation panes. With greater use of glass, a larger replacement market also has grown up.

Many special uses of glass are becoming big businesses. Glass fiber is one of these, finding a ready and profitable use as a textile, home insulation, fire resistant material and in the field of acoustical tiles and baffles, roofing materials, molded products, corrugated sheeting and reinforced plastic pipes. The largest producer of fiber glass—Owens-Corning—last year rolled up \$131,000,000 in sales on these products alone.

To keep pace with rapid technological advance most glass makers have spent considerable sums for research and plant improvement since World War II. Pittsburgh Plate Glass, for example, has spent more than \$65,000,000 for modernization. Libbey-Owens-Ford has spent more than \$50,000,000 and has doubled its plant investment in seven years.

Corning Glass Co., a specialty company, has increased its assets in eight years from \$34,659,000 to \$105,635,000.

The industry also enjoys an excellent labor record. The AFL Glass Bottle Blowers Association, which still represents a majority of the industry, boasts a record of no industry-wide strike in its history. Approximately 130,000 persons are employed in the industry. The annual payroll is upwards of \$500,000,000. **END**

—DONALD C. SPAULDING

HOW'S

permit the Treasury to maintain a general fund balance no smaller than the \$2,800,000,000 minimum reached during the corresponding July to January period of fiscal 1954.

This action will also tend to expand the credit potential of the economy and ease the money market.

According to Treasury calculations, these combined actions will enable the federal financiers to end the fiscal year 1955 on June 30 with a public debt slightly under \$275,000,000,000 and a cash fund of about \$4,500,000,000.

DISTRIBUTION

Retailers, wholesalers and service executives are planning on a big fall season. Evidence has been piling up all summer that consumer confidence and willingness to spend are close to the all time highs reached near the end of 1952. Consumer credit statistics have confirmed this expression of confidence by turning upward again after declining throughout the first half of the year.

Managements are giving much attention to the use of credit terms as a sales tool, both to increase volume and to reduce high selling expenses caused by hand-to-mouth buying. Expanded facilities for financing instalment paper in building supply materials and other hard lines have either been already established or are far along in the planning stages.

Credit facilities offer a partial solution to the intense price competition prevalent in some hard good lines. Latest figures show that 65 per cent or more of major appliances and other consumer durables are sold on credit. For autos, the figure is 60 per cent, housing 80 per cent.

FOREIGN TRADE

Congress recently completed action to restore the Export-Import Bank to a more independent status than it has occupied since its reorganization in July, 1953. The hope is that giving the Bank a Board of Directors (to be appointed by the President with the advice and consent of the Senate) and restoring its voting rights in the National Advisory Council on International Monetary and Financial Problems will enable it to continue its function of aiding in the financing of capital



FREDERIC LEWIS

AN AUTHORITATIVE REPORT BY THE STAFF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

AGRICULTURE

Congress' approval of flexible price supports on wheat, corn, cotton, rice and peanuts returns the nation's farm program to more realistic principles.

The new arrangement means a number of important things: less reliance on artificial pricing and more on market forces, better balance of farm production with national needs, gradual reduction of output of some commodities as farmers turn to production for use instead of sale to the government.

But the new legislation does not solve all of agriculture's problems. Difficult adjustment is ahead. Even adjusting to the new support levels will be serious for some producers.

Some farmers will face smaller incomes until their operations are adjusted to the new situation.

All this does not mean that government support operations will end. Some supporting activities are to be expected under flexible support scale.

It does mean that, where government support is required, it will be at levels nearer market conditions.

CONSTRUCTION

The past 12 months have provided added evidences that the construction market is sensitive to governmental influences. The inescapable conclusion is that the Federal Reserve system's easing of credit and

the Treasury's noninterference with the long term investment market have given housing activity an important boost.

Government influence aside, construction demand is still strong and the industry is in a condition to respond to further stimulus.

The sections of the Housing Act of 1954 dealing with FHA insurance on one to four family structures will stimulate building. The same should be true of the voluntary credit extension program. The Act's effect on rental housing may not be as positive. The effects of the urban renewal program, particularly on the fix-up market, will be important.

The Act should stir both the supply and demand for mortgage funds and thus add substantial support to the building market.

CREDIT & FINANCE

Within the next year the federal government will be called on to refinance \$81,500,000,000 worth of Treasury bonds, certificates of indebtedness, bills and notes now outstanding. In the course of the next five months the Treasury must figure out how to finance an almost inevitable temporary deficit of from \$8,000,000,000 to \$10,000,000,000.

This situation was basic to congressional consideration of the administration request for a \$15,000,000,000 increase in the debt limit.

The \$6,000,000,000 temporary increase adopted as a compromise will

BUSINESS? a look ahead

goods exports. Its loan capacity has also been increased.

Congressional and business interest had recently centered on the Bank's lending functions because of allegations that the World Bank was to become the prime lending agency for medium and long-term capital goods export financing. While Ex-Im Bank loans have to be spent in the U. S., no such restriction is imposed on the loans made by the International Bank.

The Ex-Im Bank, in the meantime, is prepared to accept applications for medium-term exporter loans on capital goods of a productive nature. Under certain conditions, the Bank may open lines of credit not requiring approval of each individual transaction.

GOVERNMENT SPENDING

Monthly government spending rate is expected to continue to decline through fiscal 1955. The rate dropped by about \$1,000,000,000—from more than \$6,000,000,000 to about \$5,000,000,000—in fiscal 1954, which ended last June 30.

The Budget Bureau is putting the squeeze on the heads of operating agencies to continue the cutting process in preparation for the 1956 budget which is understood to have a target amount well below 1955.

A budget policy order was recently reported as having been sent by the White House to all agency heads outlining policies to be followed in getting ready for 1956. In part the order told all department and agency heads to cut their spending rates in the second half of fiscal 1955 (January to June) to "permit smooth transition to the proposed lower levels for 1956."

This squeeze on spending is made particularly necessary by the tight financial framework the government will operate within during 1955.

LABOR RELATIONS

Recent disclosures before Congressional investigating committees and in other government proceedings disclose extortion, payoffs by business concerns for special favors, mishandling of union welfare funds and other illegal practices.

Union members have written to the House Anti-Racketeering Sub-

committee complaining of activities by union officials they feel are not honest. While the committee staff is unable to investigate each complaint, preliminary hearings will be held in several areas—with work already begun in Ohio. The results will be brought before the House Anti-Racketeering Subcommittee which will then determine the necessity for additional hearings.

Most transactions between management and labor are doubtless honest. So ruinous, however, are the comparatively few dishonest acts that there is strong demand to use existing law or devise new laws if necessary to curb them.

NATURAL RESOURCES

Recent reports that the United States is a "have-not" nation in many essential raw materials "ain't necessarily so," according to the Minerals, Materials, and Fuels Economic Subcommittee of the Senate Committee on Interior and Insular Affairs, headed by George W. Malone (R., Nev.). The Subcommittee's report is based on testimony of more than 360 witnesses.

"To a dangerous extent, the security of this nation is in serious jeopardy," concludes the subcommittee. "We depend for many essential raw materials on far-off sources." But it adds:

"None of this vulnerability need exist. The western hemisphere can become completely self-sufficient. This nation can materially increase its production of strategic and critical materials by strengthening its laws regulating foreign trade."

The subcommittee recommends closer cooperation among western hemisphere nations; regulation of foreign trade to protect domestic sources of vital materials; increased depletion allowances and other tax incentives to domestic mining; acceleration of military stockpiling; and increased appropriations for research.

TAXATION

Now that the Code Revision bill is out of the way, attention is shifting in two directions. Lawyers and accountants are again feuding as to who will handle the various phases of tax problems in dealing with the

courts and the Treasury. Meanwhile, the taxpayer won't know which he needs until the new rules are established. Congressman Daniel A. Reed has introduced a bill which would give the Treasury power to prescribe regulations relating to the qualifications of tax practitioners. Action is doubtful this year but if the uncertain situation continues it can be re-introduced and passed early in the coming session.

Also important is the scheduling of regulations under the new law. The Internal Revenue Service has been working on these ever since the first firm agreement on the bill was reached. Regulations on the early and simple provisions will be available shortly. IRS hopes to have all except the estate and gift tax regulations ready by the end of the year and to finish the job by the end of March, 1955.

Considering the difficulties and complexities of the task this is an ambitious schedule.

TRANSPORTATION

The Administration's highway program for the future can be summarized under four major headings.

1. A \$50,000,000,000 ten year plan to solve the problems of speedy, safe, transcontinental service, urban and rural.
2. Self-liquidation of each project, wherever possible, through tolls or the assured increase in gas tax revenue, and federal help where the national interest demands it.
3. A cooperative federal-state alliance with the states continuing to manage the program in their own areas.
4. Probably the advancement of federal funds beyond existing federal aid or guarantee of local and state obligations for highway modernization.

The proposed \$5,000,000,000 a year added to the \$3,700,000,000 now being spent on construction would make an annual total of nearly \$9,000,000,000.

One of the biggest obstacles in the program is found in many state constitutions which prohibit or severely limit borrowing for highways.

This and many other problems will have to be fully considered by the administration, the 48 states, and national groups such as the U. S. Chamber before agreement on a sound and expanded nationwide highway program is reached.

RUSSIAN SCIENCE THREATENS THE WEST

The Soviets are steadily enlarging their stockpile of scientific manpower and may have surpassed us already in training engineers. There's evidence, too, that the quality of Russian science is high. Here—in the words of Dr. Alan T. Waterman, director of the National Science Foundation—are answers to vital questions on the battle for scientific supremacy between the United States and the Kremlin



EDWARD BURKS

Q. Does Russia have more scientific manpower than the United States at this time?

A. It is our belief that the total supply of scientific and technical manpower in the United States still exceeds that of the Soviet Union. There are indications, however, that by concentrating heavily on the training of scientists and engineers, the Russians are approaching, and may soon attain, in numbers, superiority over the United States. There is evidence that they may already have about the same number of scientists as we have at the doctoral level in the physical, health, and agricultural sciences.

Q. Is the Soviet Union producing scientists faster than we are?

A. Russia is putting great emphasis on scientific and technical education. Since the revolution, the number of

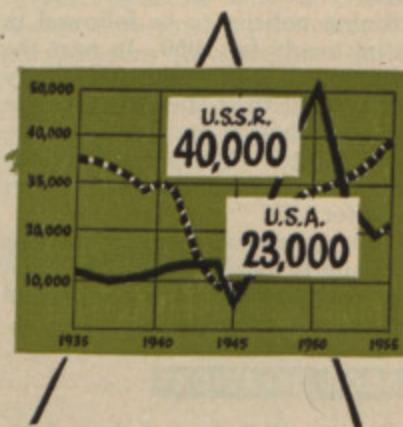
number of students has increased from a little more than 100,000 to nearly 1,500,000. In the same period the number of higher educational institutions in the United States doubled and the number of students increased fivefold, to about 2,300,000. An important difference, however, is in the proportion of students who graduate in the scientific fields. In the United States this rate has averaged about 30 per cent over several decades. At present about 40 to 45 per cent of students in the Soviet Union are believed to be graduating in scientific fields. It is interesting that a high proportion of those receiving professional training are women. The Russians are also placing great stress upon increasing the number of qualified teachers.

Q. How does the number of scientists in Russia and the United States compare in the fields of physics, chemistry, and so on?

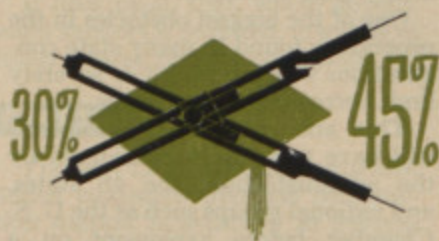
A. It is difficult to provide comparable figures by scientific field. Because of difficulties in definition and in obtaining information we are not certain of the numbers of scientists by field in our own country. These problems are multiplied, of course, when we attempt to make comparisons with another country about which information is even less ac-

cessible. However, it would appear that, in general, the size and structure of the Russian scientific and technical manpower pool is substantially similar to ours. In both countries, it appears that about half of the graduates employed in scientific fields are in the physical sciences.

With respect to the production of engineers, one source indicates that in the Soviet Union there was a



steady increase to about 35,000 graduates in 1935. The number dropped to about 29,000 in 1940, and to 9,000 in 1945. Since then there has been a steady increase—29,000 in 1948, and 30,000 in 1951. Indications are that the Russians



institutions of higher education in Russia has increased tenfold and the

plan to produce 40,000 or more engineers annually by 1955.

In comparison, 31,000 engineering degrees were granted in the United States in 1948, 52,000 in 1950, and 42,000 in 1951. There was a sharp drop to a low of 17,000 in 1952. It is estimated that about 19,000 engineers will graduate in 1954, and about 23,000 in 1955. We expect that a peak will be reached about 1957 with approximately 34,000 engineering graduates, and after that the number will again begin to decline. Thus the indications are that we are already unable to match Russia in our output of engineers.

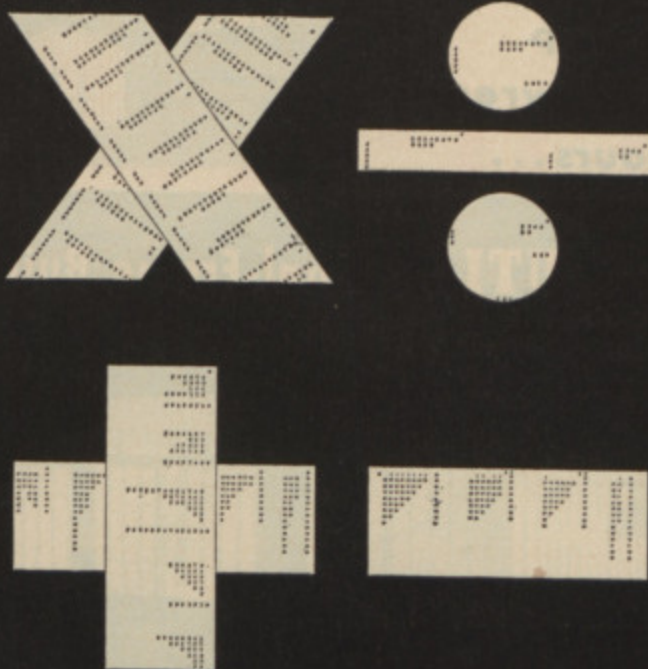
Q. How much do we know about Russian science?

A. Not as much as we should like to. The best sources of information are the same as for any country—scientific and technical journals and books. However, since about 1947 the Russians have discontinued the practice of publishing English abstracts of scientific and technical information. All technical information is now published in Russian, and unfortunately few American scientists capable of evaluating Russian scientific achievements can read Russian. In addition, all Russian scientific and technical literature cannot be freely purchased. The Library of Congress recently estimated that it receives about 20 per cent of the books published in science; 18 per cent of those in medicine; ten per cent of those in technology; and nine per cent of those in agriculture. Apparently, this lack is not in all cases due to Russian export restrictions. Published editions are frequently small and the information is needed within Russia.

A further complication is reported to have occurred in the examination of available material under the Foreign Agents Registration Act. This reportedly has resulted in a long delay on the receipt by American scientists of Russian scientific and technical material. For example, some months ago the head of a translating firm, which specializes in translations of scientific papers, informed us that for many months he had not been receiving some of the Russian scientific journals to which he subscribed and he eventually discovered that they were held up as a result of this procedure. We have had similar reports from research institutions.

Q. How much do we know about the quality of the communist man of science?

A. Opinions as to the competence of Russian scientists and engineers vary, but it seems generally agreed



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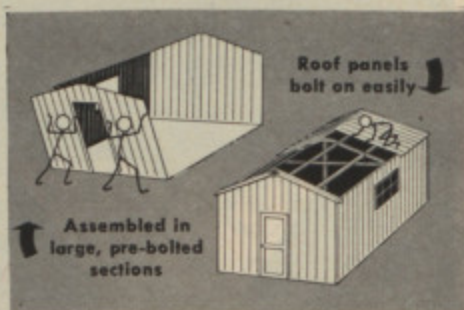
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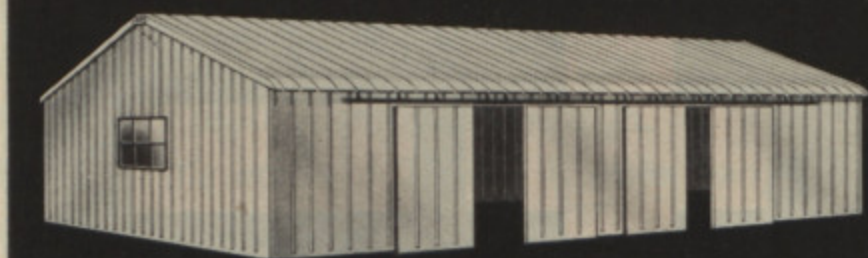
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that their work in the physical sciences and mathematics is distinctly better than in the biological sciences, which have been more readily subject to the pressures and distortions of Marxist ideology. Perhaps Russian scientists and engineers can be most effectively judged



by the results. We know, for example, that they have been able to construct nuclear weapons; that they have achieved vast engineering developments, such as the Gorki Dam and the Volga-Don Canal, and that their jet fighter planes are a major technical achievement.

In May, 1951, General Vandenberg testified before the Senate Foreign Relations and Armed Services Committees that the Russian MIG-15 had a jet engine superior to any we had at that time. Evidence from other fields—for example, advanced electronic computers—suggests that they are technically competent. The Caterpillar Tractor Company, after examining two tractors captured in Korea, reported that the Russians had successfully redesigned its product. Caterpillar noted that careful attention had been given where finish and close tolerance were needed; that the metallurgy was good; and that the tractors were probably produced on an assembly line. Recently Dr. Donald A. Quarles, Assistant Secretary of Defense, has stated that on balance our technical position is less favorable than it was a year ago.

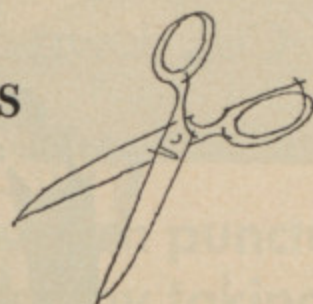
Q. Are most of Russia's scientists members of the Communist Party?

A. As Nicholas DeWitt of the Russian Research Center, Harvard University, has pointed out, it is surprising that, after 30 years of Soviet rule, only 35 per cent of teachers in higher educational establishments are members of the Communist Party. In the fields of engineering and the physical - mathematical sciences less than 20 per cent of the professors were party members.

Q. What progress is Russia making

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in basic research? And does she make practical use of her discoveries?

A. Russia realized that she was lagging far behind the technology of the West and has made a determined effort to catch up.

I have already remarked that we have evidence of Russia's skill at scientific applications in some of their defense equipment, such as jet engines. However, as science and industry well know in this country, applied research and development are eventually handicapped and come to a standstill unless they can continue to draw upon the resources and results of basic research. Furthermore, sound advance in science requires training in basic science so that cessation of basic research reduces the output of competent scientists.

Historically, the Russians have produced outstanding scientists in many fields and the present generation includes some very capable men. Certain of their basic research, notably in the fields of psychology, solid state physics, some aspects of electronics, low temperature physics, nuclear physics and aerodynamics is of excellent quality.

The Soviet papers report that in 1952 the Soviet Union had 2,900 re-



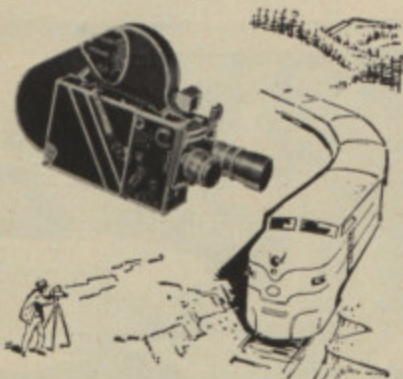
search establishments, as compared with 1,560 in 1940. The number of research scientists had also doubled and was estimated at 68,000 in 1952, of which about 45,000 were believed to be working in basic research fields.

Q. How does Russia recruit her scientific manpower?

A. Over the past two or three decades the Russians have stressed the building up of their general educational system. This has broadened the base from which they can draw talented youth for advanced training in science and engineering. The most promising youngsters receive state support for continuing their education.

The Russians have taken great pains to increase the prestige of scientists and engineers by providing

Southern Pacific films turn adversity into good publicity



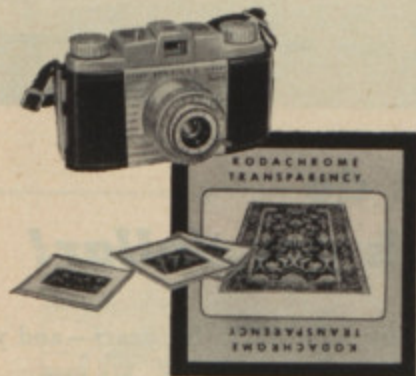
When the big 1952 snowstorm choked off Southern Pacific's trunk line through the Sierras, the company's photo supervisor covered the event with a Cine-Kodak Special II Camera.

The 16mm. movies he took, with added sound, became a morale-building employee-relations film. Because of its broad appeal, the public wanted in, too, and "Snow on the Run" is still playing to big audiences.

Similarly, when an earthquake hit in California, Southern Pacific's Cine-Kodak Special II was on the spot to record the destruction... and reconstruction.

Perhaps you, too, can broaden your movie program with a Cine-Kodak Special II for on-the-spot company-made movies.

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Colonel Charles W. Jacobsen sells fine oriental rugs throughout the western hemisphere—by mail.

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In 1953, out of thousands of rug shipments from the Colonel's Syracuse, N. Y., store on the basis of this Kodachrome selection, only three were returned without sales. And his sales have been climbing about 20% every year since he began using this graphic way of presenting merchandise.

To take his pictures, Colonel Jacobsen uses a Kodak Pony 135 Camera and Kodachrome Film. If you have a bulky selling problem that might be solved by color slides, just see your Kodak dealer for the solution or mail the coupon for more information.



How B. F. Goodrich punctures production costs by taking its foremen to the MOVIES

To snip off production waste at its base, B. F. Goodrich conducts a work simplification course for its foremen.

By watching *movies* of plant operations, they learn the principles of motion study. Using the knowledge they gain from these films, the foremen have been highly successful in eliminating lost time and waste motion in their own departments.

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When B. F. Goodrich began these work-simplification courses, they purchased several Kodascope Pageant 16mm. Sound Projectors. They have found them so useful they have also screened safety films, instructional movies on operating new equipment, and entertainment shows for the employees.

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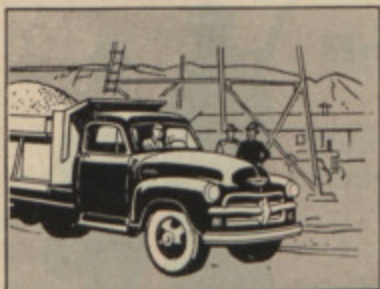
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generous living allowances, good housing, and other material advantages. The scientific achievements of Russian scientists are widely reported in the press and special prizes and awards are frequently given. This provides the necessary motivation for youngsters to continue advanced training.

The recruitment of scientists is undoubtedly facilitated by the arbitrary authority of a dictatorship to order scientists, technicians and engineers to work in places where they are needed. This may account in part for her ability to complete vast engineering projects in a relatively short time.

Q. To what extent does the Soviet state control the curricula of its scientific schools?

A. Education in the U.S.S.R. is under the dual control of the Central Committee of the Communist Party and the Council of Ministers.

According to available information, the liberal arts education which is a fundamental part of our educational system is practically nonexistent in Russia. After a student enters the higher educational system and selects the field in which he intends to specialize, his educational program is almost completely prescribed. After graduation he is obligated to work in that field for a specified number of years.

Q. Does such control produce resentment?

A. It would be difficult to say. It must be remembered that the present generation of Russian students does not know any different system, probably sees nothing unusual in the situation. Various observers have indicated that the morale and enthusiasm of students are high. Their living conditions in school appear to be good. Research facilities are reported to be adequate and their laboratories and libraries are excellent.

Q. How many scientific academies do the Russians maintain?

A. The principal science organization of Russia is the Academy of Sciences of the U.S.S.R., founded in 1725 by Catherine the Great. It comprises the following departments: 1, physics and mathematics, 2, chemistry, 3, geology and geography, 4, biology, 5, technology, 6, history and philosophy, 7, economics and law, 8, literature and philology. The academy maintains field bases and stations, as well as branches, distributed geographically throughout the U.S.S.R. In addition, the Union Republics maintain 12 academies of science. Other academies

related to science and technology are the Academy of the Medical Sciences of the U.S.S.R., the Lenin All-Union Academy of Agricultural Sciences, the Tamiryozev Academy of Agriculture, and the Academy of the Social Sciences of the Central Committee of the Communist Party. The Academy of Sciences is not only a coordinating body for scientific activities, but it also operates the major scientific facilities and is therefore the largest single support for graduate training.

Q. How many scientists are there in the Red satellite nations?

A. We do not know the numbers and very little about the quality.

According to a signed story from Hong Kong, which appeared in the New York Herald Tribune on Nov. 30, 1952, all but about three per cent of that year's university enrolment in Red China were taking such courses as engineering, agriculture, architecture, or chemistry.

The heaviest enrolment was in the engineering colleges. According to the story, about 35.4 per cent of the nation's 200,000 university students were studying engineering, and the percentages were expected to increase.

Q. To what extent are the Russians depending upon captured German scientists and other outsiders?

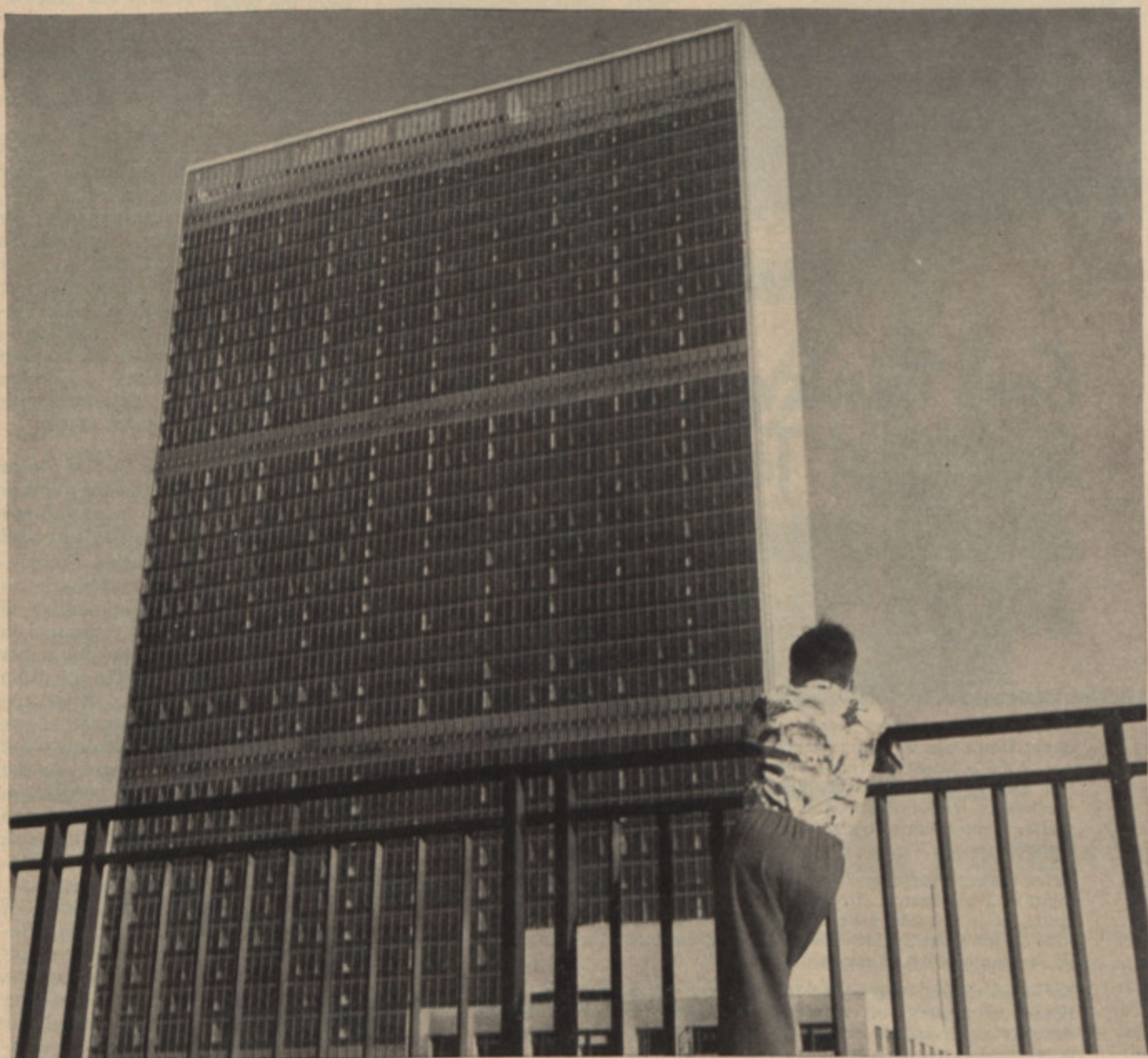
A. The evidence suggests that Nazi scientists, initially at least, played a substantial part in Russia's postwar military technology.

Apparently, like native scientists, they are accorded special privileges in terms of income, living quarters, and so on. At first they may have been severely restricted in their



movements and in their choice of occupations, but evidence suggests that they have been integrated into the scientific community and that such restrictions may have been eased.

I believe, however, that it is dangerous for us to assume that progress of Soviet science has come about solely through the presence of Ger-



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banks. In competition with one another, banks lend this money to borrowers who can use it profitably in their businesses.

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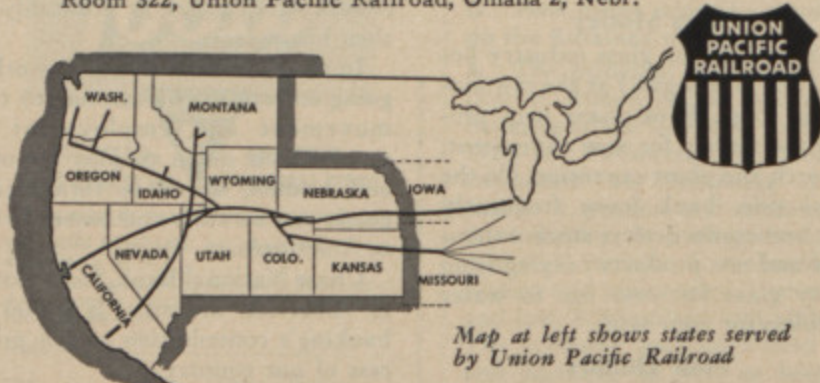
TRUE OR FALSE, it's a popular belief that most family squabbles start simmering over the morning coffee cups. Don't ask us why. Maybe it's because we men folks are apt to be a bit grumpier in the early hours. Anyway, the "lord and master" who slams the front door doesn't tackle the day's work with the same spirit as the man who leaves home with a smile. Happy workers are better workers . . . more productive workers.

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man scientists or from secrets stolen from the West.

Q. Has Russia imposed strict security measures on its scientific program and on the lives of its scientists?

A. The investigations of Soviet scientists are governed by the State Secrets Law, passed in June, 1947, which provides severe penalties for divulging information regarded in other countries as normal data for publication and free dissemination. A supplementary decree of December, 1947, forbade any institution, other than the Ministry of Foreign Trade and the Ministry of Foreign Affairs, to have any relations with representatives of foreign states.

Q. Do you think the United States is turning out an adequate number of scientific people to meet defense requirements and industry's needs?

A. The National Science Foundation has under way a systematic inventory, by fields, of the number of scientific and technical personnel in the United States. We are doing this with the cooperation of the scientific and technical societies. After the inventory has been completed we shall know far more accurately what and where the shortages are. As the population increases, the percentage of scientific and technical people in the labor force should also increase in order to keep pace with the demands of the industrial system.

Dr. C. J. Lapp of the Office of Scientific Personnel, National Research Council, notes that our population is doubling every 50 years, the need for skilled workers is doubling every 20 years, and the need for highly trained scientists and engineers is doubling every ten years. At present, however, the shortages apparent in some fields are largely owing to defense requirements.

Q. What is the National Science Foundation doing to keep America out in front in this brainpower race?

A. The National Science Foundation operates in a number of ways to strengthen science in the United States and hence to increase the over-all potential of America's scientific manpower. First, it is working to develop and to encourage a national policy to promote basic research and education in the sciences. Such a policy would recognize the importance of science and scientific manpower as a national resource and would guide administration officials in decisions affecting such matters as the extent and kind of support needed for research and development in the United States, the best use of scientific manpower

among the armed forces, industry, academic institutions, and the fairest and most effective operation of the selective service system in terms of scientific and technical manpower.

The Foundation's fellowship system is the most direct measure by which it augments the nation's scientific manpower resources. By the award of fellowships for predoctoral graduate study and for postdoctoral study also, the Foundation offers to an average of 600 selected students a year the opportunity to undertake, at institutions of their choosing, the advanced training necessary for a career in research. The fellowship program, now in its third year, has made it possible for a considerable number of highly talented students to pursue graduate study free from financial worry.

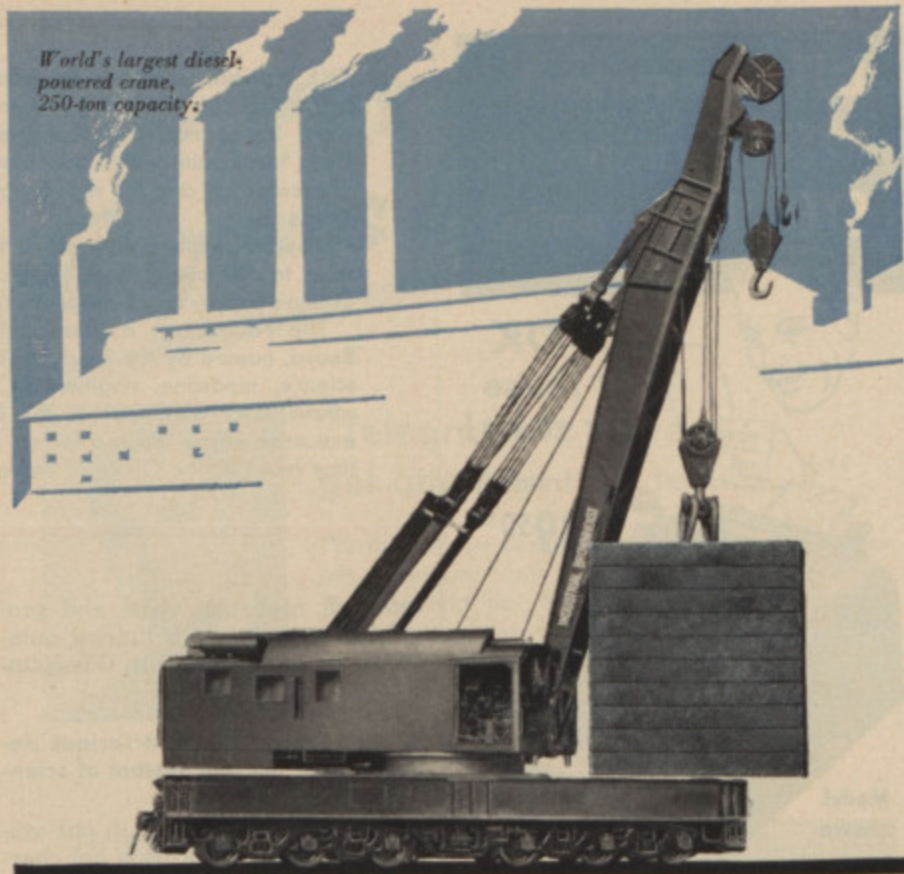
A most important program of the Foundation is one that provides grants-in-aid to universities and other research institutions for the support of basic scientific research. These grants go to the institution for a specific scientific problem in the hands of one or a group of research investigators. Since graduate students commonly help in this work and are paid for their services, this program does much to augment our output of trained scientific manpower.

The Foundation's Office of Scientific Information is constantly looking for new and better ways to disseminate scientific information. Of course, it is important for scientists to maintain active contact with what other countries are doing. The Foundation has therefore provided travel funds, which will enable a number of American scientists to attend significant meetings abroad.

And finally, we have established an office whose special responsibility it is to collect and analyze data with respect to the scientific research and development activities being carried on in the United States by industry, the universities and other nonprofit institutions, and finally, by the government itself. This fact-gathering project is a major effort and will take several years to complete.

Q. Is there a free flow of scientific knowledge now between the U. S. and its allies?

A. Scientific journals are exchanged and there is considerable communication among individual scientists, including mutual visits and joint planning by their societies. The Fulbright program has greatly increased the opportunities for personal stays abroad, with significant improvement in communication and understanding. To this has been added the efforts of private institutions to



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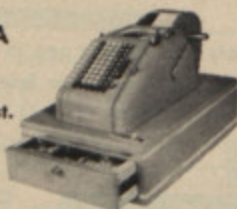
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THE National Science Foundation is an agency of the executive branch of the federal government, reporting directly to the President. It was created by Congress in 1950 to fill the recognized need for a focal point within government for the development of national science policy and the support and encouragement of basic research in science.

Another responsibility of the Foundation is the granting of fellowships in the sciences and developing other means of increasing the nation's supply of competent scientists.

The Foundation is headed by a 24-member National Science Board, named by the President from persons eminent in the fields of science, medicine, engineering, agriculture, education and public affairs. Dr. Waterman is the Foundation's director and principal executive office. He is a former professor at Yale University and one-time head of the Office of Naval Research.

establish exchange visits and provide for training of a limited number of foreign students in this country.

Q. What are the most serious defects in our present system of scientific education?

A. Many of the defects in our system of scientific education are characteristic of the educational system as a whole; that is, inadequate and overcrowded facilities; insufficient numbers of teachers; inadequately trained teachers; and so on. The problems are particularly acute in science, however, because teachers with scientific training can find much higher paying positions outside teaching. This means that the number of well qualified science teachers is inadequate.

If the faults in our educational system as a whole could be corrected, scientific education would benefit commensurately.

Q. What effect does the failure of children with science aptitudes to pursue science in college have on our over-all reserve of brainpower?

A. It is of importance to the national interest that we increase the number of qualified scientists to meet our extremely pressing problems. Unless we can solve this without delay, our progress in industrial know-how in matters related to defense and public health will be in jeopardy.

Nearly half of all the students who are graduated from high school with intellectual capacity equal to or greater than that of the average college graduate fail to enter college at all. We should make every effort to increase the number of intelligent boys and girls who go to college. If the number could be raised significantly in all fields, I believe that science and technology would receive their fair share.

As for the economic problem of financing a professional education, many educational authorities believe that an even greater problem is to identify and motivate the gifted boys and girls who are missing opportunities to develop their special talents.

Q. Is American industry getting the "cream" of the nation's scientific manpower crop?

A. In the absence of precise statistical data, it has frequently been assumed that industry enjoyed the advantage in recruiting young scientists from the annual crop of graduates. Industry pays better salaries than the universities, and the more favorable economic outlook of industrial jobs has tended to divert promising students from graduate studies or from teaching and academic research.

However, a recent survey of young scientists suggests that many of the most promising young research scientists prefer to work in an academic atmosphere so that they may be free to pursue problems of their own choosing.

Although there have apparently been serious shortages of both scientists and engineers in many fields, there is little indication that the nation's defense needs have suffered greatly through a lack of scientific personnel up to this point. I do not know, for example, of an important defense-connected research or development project which could not be carried out because scientific personnel could not be found. On the other hand, there is indication that more industrial research and development would have been carried out during the past three or four years if demands for defense work had not been so heavy. This does not mean that either in a protracted period of partial mobilization, or in actual time of war, there would not occur serious shortages in many fields. **END**

God Before Gold

(Continued from page 35)

of 60 he embarked on a lecture tour with these words: "I am confident that, if I live, I can pay off the last debt within four years, after which, at the age of sixty-four, I can make a fresh and unencumbered start in life." And then he added, "Honor is a harder taskmaster than the law."

Religion is bringing a rebirth of integrity and honesty back to us, and it will unquestionably have its moral and social repercussions.

In our office in Minneapolis we regularly receive letters which have within them substantial amounts of money which represent old debts. They ask us to forward the money which we are happy to do; thus the old indebtedness is liquidated, the debtor's conscience is eased, and all is right with the world. This is just one more example of how religion has a direct bearing upon business morals.

When business casts its commercial "bread upon the waters" by offering quality products or efficient services, the consumer will return it by enthusiastic patronage. The days of the businessman who "casts his bread upon the waters" but expects chocolate cake in return are numbered.

The application of religious principle in business has come to be good business. But let me sound a warning. Don't be like the man who joined the church because he thought it would help his business. All good and noble things are born in the heart; and if a man employs religious principle without being sincerely religious, he makes of himself a sham, and though he prosper greatly he is still the loser.

This thought brings me to the conclusion. Almost nightly in England I told those vast audiences at Harrogate: "The problem of the world is not the hydrogen bomb. The greatest problem of the world is human nature."

Twenty-four hundred years ago Socrates said: "I have discovered Utopia, an ideal social state; but, alas, there are no ideal human beings to bring it into being."

Jeremiah, witnessing the floundering and blunderings of Israel, wailed: "The heart of man is desperately wicked and deceitful above all things."

Jesus, looking out over Jerusalem's poverty and desolation, said: "O Jerusalem, Jerusalem, which kill the prophets and stonest them that are sent unto thee; how oft would I have gathered thy children

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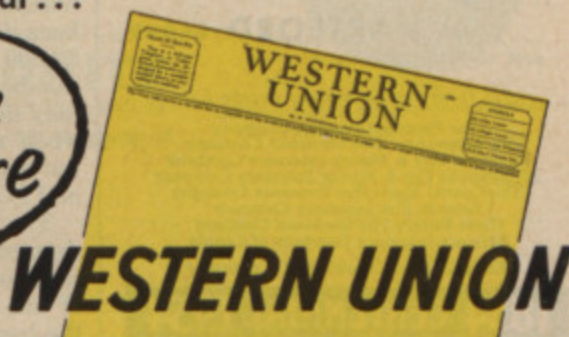
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together, as a hen doth gather her brood under her wings, but ye would not."

The lament of Jeremiah, Socrates and Jesus is a complaint that the heart of man is not all that it should be. Man's soul needs the touch of God. Thousands are asking how they can find God. The Bible teaches that Christ is the Mediator between God and man. Jesus himself said: "I am the way, the truth and the life; no man cometh to the Father but by Me." It is through the atoning death and resurrection of Christ that we can come to know God in a real and vital sense.

So the need of business, the need

of government, the need of the world is changed, transformed, redeemed individuals. God only can work this miracle. The promise of such a thing has been profusely offered in both the Old and the New Testaments.

Isaiah, speaking to a frustrated, baffled, confused people, said: "Come now, and let us reason together, saith the Lord; though your sins be as scarlet, they shall be as white as snow; though they be red like crimson, they shall be as wool."

And then as a final word to those who were interested in business and commerce He said: "If ye be willing and obedient, ye shall eat of the good of the land." **END**

How the New Tax Law Helps You

(Continued from page 27)

are freed from paying the lowest bracket tax rate of 20 per cent on their first \$1,200 a year from pensions, annuities, rents, interest and dividends. Persons retiring before 65 under a state or municipal retirement system or under a nonmilitary federal system will get a similar exemption for the first \$1,200 a year from that system. In all cases, the \$1,200 allowance must be reduced by any tax-exempt veterans' pensions or by any social security or railroad retirement benefits, since these are already tax-free. Persons under 75 must also reduce the \$1,200 allowance by any earned income exceeding \$900.

The retirement income relief is in addition to regular income tax exemptions and deductions. A married couple filing a joint return can get double exclusion if both have retirement income.

An \$80,000,000 tax cut will be split among 8,500,000 taxpayers who itemize their medical expense deductions. They'll now be able to deduct all medical expenses over three per cent of their adjusted gross income—instead of five per cent in the old law. Expenses for drugs and medicines, however, can now be included only to the extent they exceed one per cent of income. Further to aid people with really huge medical bills, maximum medical deductions have been doubled. They now range from \$2,500 to \$10,000, depending on the number of dependents. Taxpayers may deduct transportation expenses when medical care requires travel, but may not deduct the cost of meals and lodging during the trip.

The parent whose teen-age children earn money in summer or other part-time jobs is a major beneficiary of one of the numerous changes in the treatment of dependents. Form-

erly Dad couldn't claim Junior as a dependent if Junior earned more than \$600 a year. Either Junior quit work when his earnings reached \$599 or Dad lost an exemption and had a sudden, sharp tax increase. The new law permits Dad to claim Junior as a dependent—regardless of his earnings—so long as Dad contributes more than half of Junior's support and so long as Junior is less than 19 or going to school. Junior of course, would pay tax on his own income in excess of \$600.

Many taxpayers will now be able to claim a longer list of dependents—a cause for rejoicing at income tax time. Heretofore, a dependent had to be closely related to the taxpayer. Now, any person who is a member of the taxpayer's household and gets more than half of his or her support from the taxpayer may be claimed as a dependent. A foster child, a child awaiting adoption, a distant cousin or even an old friend can be a dependent under this new standard.

Another change deals with the fairly common situation where several taxpayers jointly support another individual, but no one of them supplies more than half the support. Under the old law, none could take a dependency exemption. Now they can choose one of their number to get the credit. Four children who contribute equally to the support of the aged mother can rotate the exemption among themselves so that each gets the exemption once in four years.

Widows or widowers with children will have their tax load eased in the years immediately after the spouse's death. Formerly, a widow or widower with children—like any other "single head of family"—was given only half the tax benefits received from income-splitting as a couple. This meant sharply higher taxes immedi-

ately after the death of a spouse. The new law says that, for the first two years after a spouse's death, a survivor with children gets the full benefits given married couples.

Previously, a taxpayer who supported a parent could claim an extra tax exemption only if the parent lived with him. The new law says the parent can live anywhere and qualify as a dependent so long as the taxpayer contributes more than half of the parent's support.

Another type of dependency benefit is provided for working women—single, married, widowed or divorced—and for widowers or divorced men who must pay to have children or other dependents cared for so that they themselves can hold down jobs. The new law states that any such person can deduct up to \$600 of the costs of nursery schools, sitters, nurses or other methods of caring for children under 12 or other dependents unable to care for themselves. Only one \$600 deduction is available per taxpayer, however, no matter how many dependents.

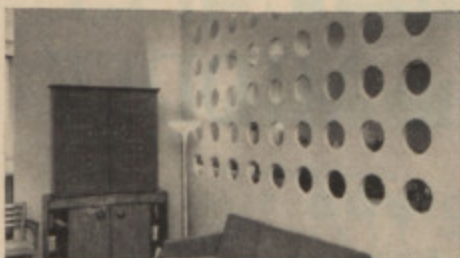
Any working woman, widower or divorced man can get this break if an itemized deduction is used. A working wife can take the deduction only if she files a joint return with her husband, and then the amount allowed as a deduction is decreased by the amount of the couple's combined adjusted gross income that exceeds \$4,500. Thus the provision is of no value to a couple with an income more than \$5,100.

All the major relief provisions for individuals and corporations will apply not only to 1954 but also to future years. This permanent relief helped reconcile taxpayers to several provisions which will cost them money for limited periods.

The main "non-relief" provision of the law, of course, is the extension of the 52 per cent corporate income tax rate. That rate was scheduled to fall back to 47 per cent on April 1, 1954. The President asked for its extension, however, and it almost certainly would have been extended anyhow, even without the relief provisions of the new code. The law continues the higher levy through next March.

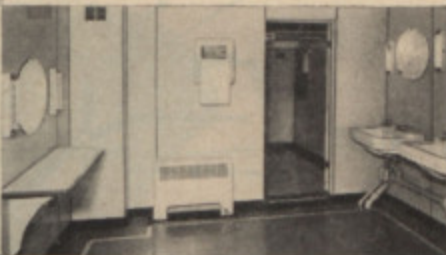
Another provision that will cost some taxpayers extra money for a few years is the pay-as-you-go rule for very large firms. Until now, corporations paid all their taxes on one year's income in the following year. Small and medium-sized firms will keep on doing this—in two equal installments the following March and June. The new law provides a formula under which firms with estimated tax bills of more than \$100,000 a year will have to pay part of

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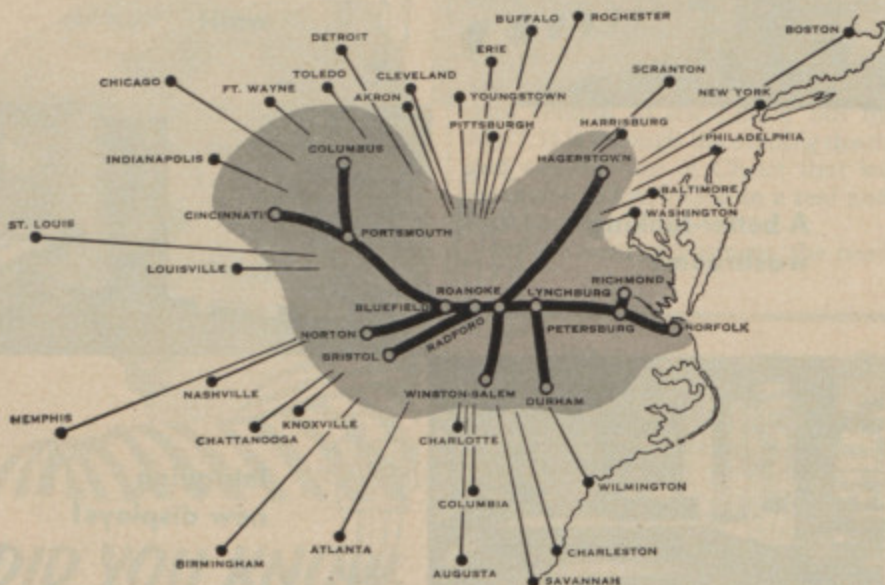
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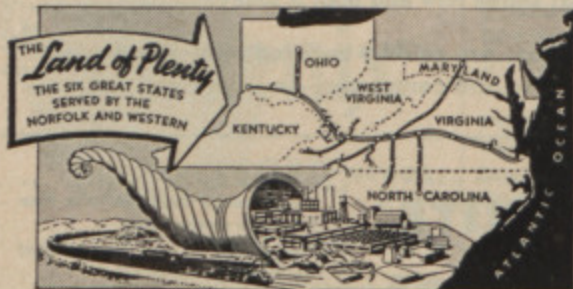
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their taxes in the same year the income is received.

Starting next year, firms must estimate their tax liability for the current year each September. Firms with an anticipated tax bill of more than \$100,000 will have to pay part of the tax due over \$100,000 in September and another part in December, with the balance in two equal instalments the following March and June. In 1955, the September and December payments will each be five per cent of the estimated tax bill over \$100,000. These September and December payments will gradually increase—and the March and June payments will gradually drop—until by 1959 the firms affected will be paying in the year in which the income is earned 50 per cent of that part of their tax bill over \$100,000.

This provision affects only 20,000 out of the 425,000 corporations filing tax returns, but these 20,000 account for about 85 per cent of all corporate tax collections.

A few taxpayers will feel the impact of new "loophole-plugging" provisions—changing sections which have given tax benefits Congress never intended.

For example, under the old law, a life insurance beneficiary who was paid in fixed instalments by the insurance company received not only the proceeds of the insurance policy tax-free, but also received tax-free interest. Some survivors of wealthy individuals gained huge amounts of tax-free interest in this fashion. The new law says that this interest will be taxable except for the first \$1,000 of interest a year paid the widow of the insured.

In the past, the courts have held some prizes won on radio and television giveaway programs or in essay contests to be tax-exempt. The new law says taxes must be paid on all prizes and awards except those "made in recognition of past achievements of a religious, charitable, scientific, educational, artistic, literary or civic nature, where the recipient is selected without action on his part and is not required to render substantial future service."

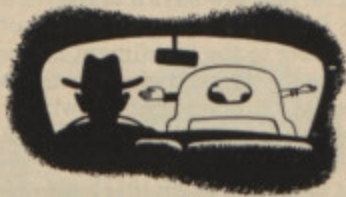
The old law waived taxes on the first \$5,000 of death benefits paid by an employer under certain conditions to the survivors of a deceased worker. A top executive of a group of affiliated corporations frequently made arrangements under which each corporation would pay his survivors a tax-free \$5,000. The new law continues the \$5,000 tax-free death benefit privilege—in fact, it broadens the types of payments eligible for this tax-free treatment—but provides that only one \$5,000 exemption shall be available per deceased

worker, rather than per corporate employer.

Despite these and other provisions that tighten previous tax rulings, however, the main emphasis of the new law is on tax relief, and the bill is sprinkled with sections designed to help particular groups of taxpayers. Some 500,000 farmers will get a tax cut by being allowed to deduct money spent on soil and water conservation projects. People living in co-op housing developments may, for the first time, take deductions for their share of the interest and taxes paid by the developments. Clergymen will be allowed to exclude from their taxable income any money their congregations pay them as rental allowances.

Many sections of the law deal with "procedure" and "enforcement." For example, the law not only postpones from March 15 to April 15 the deadline for the final individual tax payment for the preceding year but similarly postpones the deadline for filing the declaration of estimated tax and making the first payment.

Corporations need no longer get a special ruling from the Treasury to extend their deadline for filing final corporate tax returns. Now a three-months extension is automatic, pro-



viding the corporation files a simple form and pays an approximation of the tax due on the regular date.

A typical "enforcement" provision is aimed at curbing business firm abuses of the "depository account" system. Under this system, firms are supposed to deposit in banks each month the taxes withheld from their workers' pay envelopes and also any excise tax collections. They report to the Treasury on these collections only quarterly or even more infrequently. The idea behind the system was to save business firms the need of filing monthly detailed reports with the Treasury, yet to keep the money coming into the Treasury as it was collected or withheld. However, the Treasury found that many firms have not been depositing until just before they must report to the Treasury. In the meantime, the businesses had the use of the tax funds. The new law imposes a one per cent a month penalty charge for any underpayments into these depository accounts, up to a maximum penalty of six per cent.

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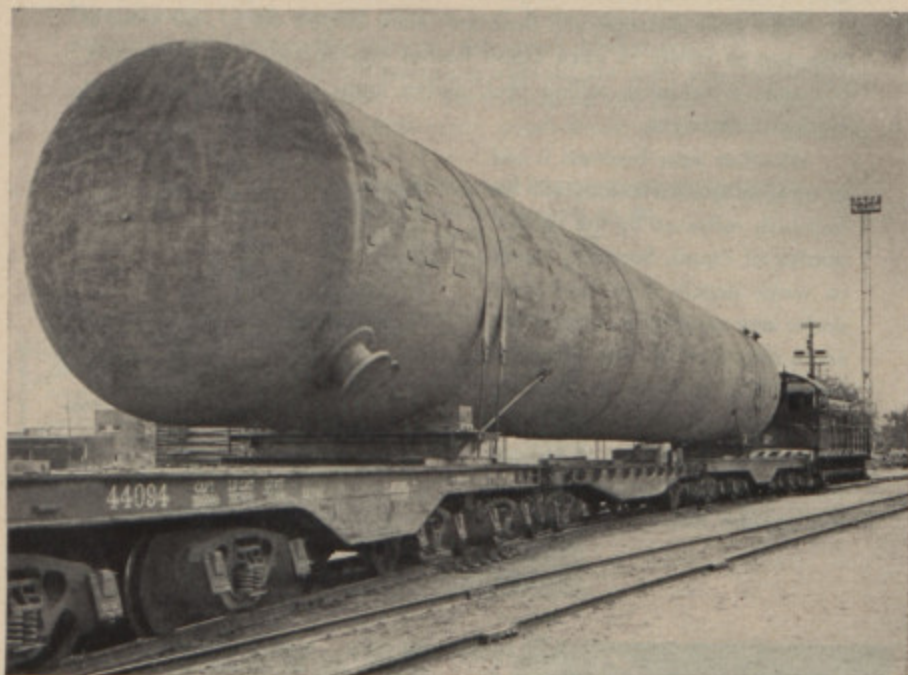
From earliest days the railroads have handled the big, tough jobs. As America pushed back its frontiers, the railroads were there. They moved crops to market, hauled more and more raw materials to more and more manufacturing centers, carried an ever-widening range of finished products to more and more consumers. They helped the nation grow and thrive — and, today, they furnish the low-cost, efficient, all-round transportation without which you could not live as you do.

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bring tax regulations into line with established business accounting practices. In addition to making book-keeping easier, these provisions will actually save 600,000 businesses about \$45,000,000 a year.

Previously, a business was taxed on all the money it received in a year even though much of it might have represented payment for services to be rendered later. This hit such taxpayers as publishers selling multiple-year subscriptions, landlords who received a lump sum to cover several years' rent, or television repairmen who were paid in cash for a service warranty covering a long period. The new law permits payment of taxes on the money as it is earned, if it is not spread over more than six years.

Another accounting change benefits contractors and others who must set up "expense reserves." Previously, for example, a contractor who built a road and agreed to maintain it for several years could not deduct from his income, in the year he was paid, the amount set aside to cover later maintenance costs. From now on, he can immediately deduct any "reasonable amount" put aside to cover future expenses expected to grow out of the job for which the income is received.

The new law says a taxpayer shifting from the accrual system of accounting to the instalment method is not to be taxed twice on the same income, a phenomenon which frequently occurred under the old law.

Still another accounting switch will be a boon to retailers, meat packers, radio and television firms, theaters and many other companies which generally close their accounting year on a particular day of the week rather than on the last day of the month. Previously taxes had to be paid on the basis of a year ending the last day of a month, and these firms had to keep one set of books for business purposes and another set for tax purposes. The new law permits these firms to pay taxes on the basis of a 52-week year for five years and a 53-week year in the sixth year.

Many of the provisions in the new law apply only to a single industry — insurance companies, liquor firms, cigaret manufacturers, mining companies, railroads, coal and timber property owners. Still another large chunk of the law deals with highly technical subjects — almost certainly requiring the aid of a tax lawyer — such as corporate reorganizations and liquidations, trusts, personal holding companies, estate and gift taxes, affiliated and successor corporations, related taxpayers, bond premiums and bond discounts and regulated investment companies.

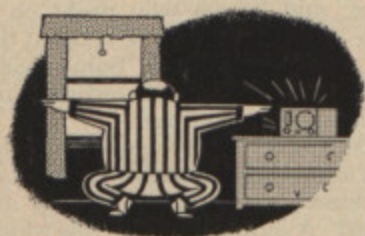
There are, however, many other

sections with considerable general interest. Here's a checklist of the most important of these.

Pension Plans: Practically all lump-sum distributions by qualified pension and profit-sharing plans will now get the more lenient capital gains treatment. Previously, some distributions were taxed at the higher ordinary income tax rates. Another change makes pension, profit-sharing and stock-bonus trusts which are otherwise tax-exempt subject to tax on "unrelated business income" from business activities or certain rental arrangements.

Health Benefits: The new law exempts from tax most sickness and accident benefits received by workers under all employer-paid plans. Previously, exemption was granted for all benefits paid under company plans covered by insurance company contracts, but no exemption was allowed for employees of the telephone companies and other large firms which financed sickness and accident plans themselves, without making contracts with insurance companies.

The exemption will apply in the future to any amounts covering medical expenses of the worker and his family or paying for permanent bodily injury. The exemption will



also cover up to \$100 a week received for loss of wages because of injury or illness, although in some cases this will not apply to the first week's payment.

Employee Stock Options: The new law makes many changes in the types of employee stock options which qualify for special tax breaks. No option issued after June 22, 1954, will qualify if it runs for more than ten years. On the other hand, so-called "variable price" options will become eligible under certain conditions, a person owning more than ten per cent of a corporation will be able to get the special treatment for the first time under certain conditions, and the estate or beneficiary of a taxpayer is given the new privilege of exercising options under the same rights which the taxpayer had while alive.

Consolidated Returns: The two per cent penalty tax is removed from consolidated returns filed by regulated utilities, but is kept on com-

The unusual did happen

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Because these amounts of money were put back into working capital these policyholders were in a position to immediately earn the profit that would normally accrue from turnover of that capital. For booklet, write Dept. 41, First National Bank Bldg., Baltimore 2, Md.

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panies in other industries. Firms in any industry can now file a consolidated return if the affiliated group owns 80 per cent or more of the stock of each member of the group; previously, the test was 95 per cent.

Loss Corporations: The new law applies two further checks to corporations which attempt to cut their own taxes by purchasing companies that have been losing money and have unused tax credits. The law has always said that the government can cancel the tax advantage gained in any such deal whenever it can prove the purchase is made chiefly to avoid tax liability. The new law states that it is *prima facie* evidence of an attempt at tax avoidance if the amount paid for a corporation or its property is substantially less than the amount of taxes the purchaser can save by using the loss carryover and other tax credits of the loss corporation. That means the purchaser will have to bring in strong evidence to show that he had another motive in buying the company.

The second restriction eliminates a corporation's loss carryover if ownership changes 50 per cent or more in two years and the firm goes into a different line of business.

Distributors: Auto distributors and other franchised firms whose franchises are cancelled at a profit to them, and lessees who profit on a lease cancellation will be taxed at the low capital gains rates. Some courts held these profits to be ordinary income under the old law.

Depletion: Former mineral depletion allowances are either retained or increased, and some new ones are added. A long list of minerals which previously got anywhere from nothing to 15 per cent will now get a 23 per cent allowance on income from U. S. properties. These include lead, nickel, zinc, tin, asbestos, bauxite,



titanium, cobalt, chromite, manganese and tungsten. Uranium mined anywhere in the world will get the 23 per cent allowance, instead of its former 15 per cent. The depletion allowance is extended to all minerals recovered from slag piles or tailings.

Notes: The cost of discounting a note received for goods or services can now be charged against ordinary income, instead of being considered a capital loss, as under the old law.

Annuities: An annuitant formerly paid taxes each year on the amount



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of annuity income equal to three per cent of the cost of his policy. The rest was tax-free, until the tax-free total over the years added up to the amount he had paid for the annuity. From then on, everything he received was taxable.

Congress decided the old rule was "erratic." Some annuitants never recovered tax-free what they had paid in, while others soon used up their tax-free total and found themselves with sharply increased tax bills. The new law attempts to spread the tax-free part of the annuity income more evenly over the annuitant's remaining life. Each year the annuitant will be exempt from tax on an amount equal to the cost of his policy divided by his life expectancy at the time he starts getting paid under the annuity.

An employee retiring under an employee-contributory pension plan will be taxed by this same life-expectancy rule if the total he pays in while working is more than he is scheduled to get back in the first three years after he retires. If the total amount he paid into the plan while working is less than the amount he'll recover in the first three years after he retires, the payments he receives will be entirely tax-free until he recovers what he paid in. Most employees will be taxed under this system.

Although a small number of persons will be adversely affected by these new annuity rules, some 800,000 people will share a benefit of \$10,000,000 a year.

Insurance: Some 10,000 taxpayers will get a whopping average saving of \$2,500 each through a change in the estate tax rules for taxing life insurance policies. Previously, if an insured person paid the premiums on a policy up to his death, the value of the insurance was included in his taxable estate even though he had surrendered ownership of the policy before he died—for example, had given up any right to change the beneficiary and had assigned to someone else the right to cash in the policy. Insurance companies said this led many a wealthy individual to buy stock or real estate in his wife's name, rather than to take out insurance and turn the policy over to her, since the stock or real estate would not be part of the taxable estate. The new law says that even though an insured person pays premiums on a policy up to his death, the insurance would not be part of his estate so long as he did not retain ownership of the policies.

Death Taxes: Heirs of a taxpayer owning one or more closely-held "family" corporations will find it easier to avoid paying income tax if they have some of their stock re-



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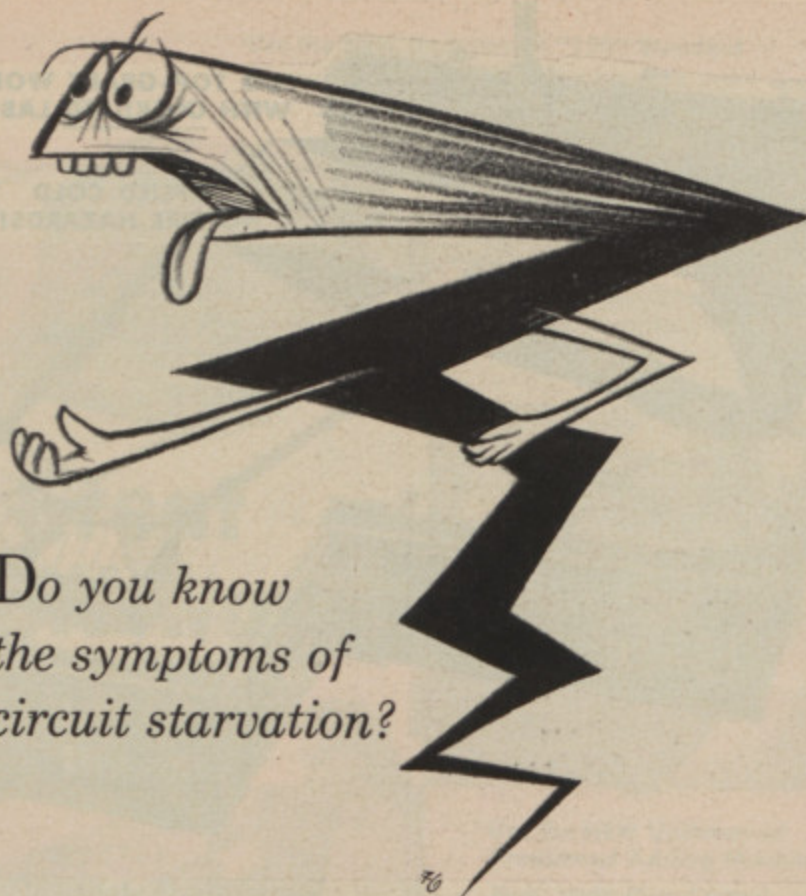


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deemed to raise money to pay death taxes. Under the old law, stock could be redeemed to pay death taxes, without the proceeds being taxed as dividend income, if the stock was at least 35 per cent of the value of the gross estate. The new law says this treatment should also be available where the stock constitutes 50 per cent of the net estate, and permits the stock of several corporations to be combined to meet either the 35 per cent or 50 per cent test, providing the estate owns 75 per cent of each corporation. Tax-free redemption will be allowed, providing these tests are met, to raise money to pay funeral and administrative expenses.

Charity: Individuals will now be permitted to deduct charitable contributions up to 30 per cent of their adjusted gross income, instead of 20 per cent under the old law. But the extra ten per cent must go to a church or convention of churches, an exempt educational institution or an exempt hospital. Corporations for the first time may carry over into either of the two succeeding years any amount by which their charitable contributions exceed the five per cent limit for corporate donors, but the carryover must be counted toward the five per cent limit in the later year. Another important change declares that in computing the maximum charitable deduction, neither individuals nor corporations need



any longer consider a net operating loss which is later carried back to the year of the charitable deduction.

Inventions: The new law attempts to encourage inventing by extending lenient capital gains treatment to inventors and their financial backers. Previously, invention proceeds were taxed as ordinary income in most cases. Capital gains treatment will apply on most of the proceeds from patents—outright sales and exclusive royalty arrangements—and on the sale of rights under a patent application. The new treatment will not apply to corporations nor to a relative or employer of an inventor.

Instalment Buying: The law permits a deduction on carrying charges on instalment purchases up to six per cent of the amount still unpaid. Before, a deduction could be taken only for interest stated separately in the purchase contract, and many contracts do not do this.

Property Taxes: A person who

buys a house or other piece of real estate and reimburses the seller for real estate taxes already paid on the property will now be permitted to deduct those taxes. Previously, only the seller could take the tax deduction, even though the buyer reimbursed him.

Deductions are allowed for any assessments by improvement districts if at least 1,000 persons pay taxes in the district, it includes at least one county, and the assessment is levied at a uniform rate based on the same property value as used for general real estate tax purposes. Formerly, special assessments were deductible only if levied for interest charges or maintenance.

Homeowners: As did the old law, the new provides that a homeowner need not pay capital gains tax on any profits he makes selling his home, providing he puts the money into another home within 12 to 18 months. However, if the second house is a cheaper one, he must pay taxes on that part of the profit which isn't invested in the new residence. The new law, for the first time, permits the homeowner to reduce the profit on the first home by taking into account the selling commission or any final painting or other "fix-up" expenses incurred to make the house salable.

Alimony: A husband will get a deduction and a wife will have to pay tax on alimony payments made under almost any written separation agreement entered into after Aug. 16, 1954. Under the old law, this was true only if the payments were based on a court decree. The new law also says that periodic support payments made to a wife under a court decree will be treated the same way as alimony payments, so long as the decree was entered after March 1, 1954.

Salesmen: The new law makes it easier for salesmen to get credit for business expenses and still use the standard deduction for their personal expenses.

Under the old law, outside salesmen—those who solicit business full-time away from their employer's place of business—could not subtract their nonreimbursed entertainment and other business expenses from their gross income unless they were away from home overnight. Otherwise, they could get tax advantage from these expenses only by foregoing the standard personal deduction and itemizing all deductions, including the business expenses.

The new law says these nonreimbursed expenses can be deducted from gross income even if the salesman isn't away from home overnight.

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HERE'S HOW ASIA IS LINING UP

By DAN KURZMAN

FOREIGN MINISTERS of eight anticommunist nations are to meet this month in the Philippines to lay the groundwork for a Southeast Asian defense pact. Theirs will be a formidable task. Making such a treaty work will mean uniting one of the most disunited parts of the world, arming hungry people more interested in bread than guns, nurturing an anticommunist spirit in areas controlled by feudal landowners and moneylenders, and convincing newly independent nations that they should welcome back the same foreign troops who only recently were their colonial masters.

These are only some of the more glaring difficulties to be overcome, at least partially, if a regional alliance is to be reasonably effective. But there are also favorable factors.

The most important is a rapidly growing consciousness among most ruling groups and a part of the masses that communist aggression gravely threatens the independence they so cherish and which, in many cases has been achieved only after decades of heartbreaking struggle.

Thailand, the Philippines and Pakistan have already decided to do something about this menace by agreeing to meet with the interested western nations—the United States, Britain (representing Malaya as well

as herself), France, Australia and New Zealand—to establish a pact. The three states of Indochina—Viet-Nam (the free southern sector), Cambodia and Laos—are all eager to participate and may do so later in limited capacities consistent with the terms of the Geneva settlement. Formosa and South Korea would undoubtedly like to join, though some of the other prospective members may not welcome them. Japan, which is using the Asian defense issue as a bargaining lever in its dealings with the U. S., may possibly cooperate in the future despite widespread pacifism among its people.

Ceylon, while a neutralist country, has expressed no opposition to the formation of a pact, and might, in fact, enter one. And such opposition as Burma and Indonesia offer is based largely on tactical domestic considerations which, it appears, may soon give way to more affirmative policies.

Thus, giant India, leader of the neutralist nations, may eventually find itself under increasing pressure from its fence-perching allies to modify its position, too.

As of now, the western bloc from which pact members might be drawn contains (excluding Russia) 17 per cent of Asia's total population of 1,360,000,000, 16 per cent of its 8,273,000 square miles, 36 per cent of its estimated 6,700,000 fighting men (including western forces in the area), and 30 per cent of its 150,000,000 ton rice yield. The neutralist countries could add to this another 36 per cent of the population, 30 per cent of the area, ten per cent of the armed might, and 35 per cent of the rice production. The Chinese Communist bloc, by comparison, encompasses 47 per cent of Asia's population, 54 per cent of its area, 54 per cent of its troops, and 35 per cent of its rice.

Whether a substantial number of noncommunist countries can be persuaded to join a defense arrangement may depend on the West's ability to convince them that this would be an Asian pact for Asians, with the occidental powers participating in a backstop capacity as partners and not as masters. The West would also do well to offer the enticement of a treaty that would—as is now planned—represent, in addition to a united military effort to stop overt aggression, a collective means of fighting political subversion through economic, technical and educational advancement.

This is how the issue shapes up at this time in each of the important countries of free Asia:

VIET-NAM

Open to communist infiltration

French-occupied South Viet-Nam, which is open to unlimited communist infiltration from the Red-held north, will undoubtedly cooperate in every possible way with the West. But the ways permitted it may be very few, because the Geneva agreement provides that the Vietnamese states cannot openly join a defense pact. Nevertheless, the 240,000 French Union forces now in the south can remain there as long as the southern government desires their presence.

Moreover, a regional defense organization could guarantee present frontiers. The knowledge that its intervention would be automatic in the event of aggression might deter the communist Viet-Minh from violating the cease-fire and perhaps save South Viet-Nam from going under—at least until the nationwide elections are held in two years—if they are held.

A new government may soon have to be formed that will be more efficient and more representative of the free sector than is now the case; none of the present ministers being from the south. Plucky Premier Ngo Dinh Diem himself is under attack from political foes who hope to force his political demise by pinning on

You won't like some of the facts presented here. But you'll need to know them for a clear understanding of the forces—and the personalities—at work in the most dangerous area in the world today.

him much of the blame for the nation's participation, though he had little choice but to accept it.

Nevertheless, what hopes there are for keeping South Viet-Nam free permanently, and possibly winning back the north through elections, may rest to a large degree



Viet-Nam's Ngo Dinh Diem is anti-Red nationalist

on the premier. Reputed for his anticolonial as well as anticommunist sentiments, Diem, who for years refused to take part in a French-controlled government, is the only genuinely popular non-Viet-Minh leader in Viet-Nam. Whether he can woo the masses away from Communist leader Ho Chi Minh, the false nationalist Messiah, at this late date is, however, doubtful, even though the French have belatedly agreed to independence for free Viet-Nam. Still, Ho may lose many friends among the 22,000,000 Vietnamese, particularly among the 14,000,000 in his sector, by letting them know what communist totalitarianism means.

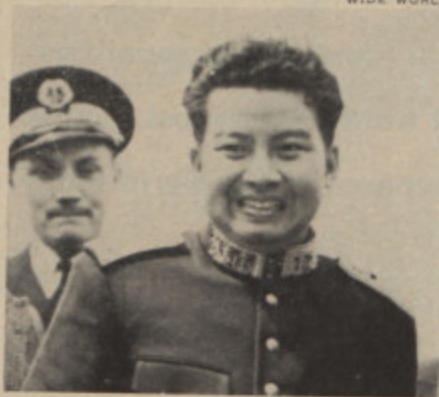
Thus, Diem, with a land reform program and western economic aid, may have the opportunity to demonstrate to his people in clear-cut terms the differences between communism and democracy and thereby cultivate an anticommunist spirit that might, at the least, cement resistance to further Red encroachment. Certainly such a spirit would greatly increase the effectiveness of free Viet-Nam's 200,000-man native army, which is not dependable at present.

CAMBODIA

Dreads Vietnamese, Red or not

Also balancing precariously on the rim of the Bamboo Curtain, this peace-loving Buddhist country, now fully independent, desperately wants western assurances that it will not have to fight alone if attacked. Under the Geneva accord, Cambodia and Laos can

call in foreign friendly troops if they consider their security threatened. This provision could be so interpreted as to permit them to join a pact. But even without aid, it might take a full-fledged invasion to bring Cambodia's 20,000-man army to its knees in view of



Cambodia's wise and peace-loving King Norodom

the failure of Red guerrillas to establish themselves firmly in this country, at least up to now.

Numbering only 3,300,000, the Cambodians, led by wise, democratically-minded King Norodom Sihanouk, are far more closely knit and aware of their national heritage than the Vietnamese, whose Red-distorted brand of nationalism is largely of a negative, anti-French character. Gentle and poetic by nature, they revel in dreams of centuries past when the great medieval Khmer Empire basked in splendor and glory. But they also recall the numerous attempts in history of the Vietnamese to swallow them up. Thus, the Cambodians dread the Viet-Minh—not only because it is communist, but because it is Vietnamese.

Indeed, despite their long-frustrated desire for freedom, they have far higher regard for the French than for their traditionally aggressive neighbors. In several thatched hut villages I visited some time ago with French troops, the people could hardly have extended us warmer hospitality—something which few Vietnamese visitors—Red or otherwise—ever experience.

LAOS

Would be difficult to defend

This country, also newly independent, is no less eager for some western commitment of aid in the event of a fresh threat of aggression. But it would be difficult to defend even if its 30,000 poorly trained and armed troops did receive outside assistance. For this primitive, mountainous land, the largest in area and the smallest in population (1,190,000) of the three Indo-Chinese states, has been heavily infiltrated by Viet-Minh guerrillas, who, indeed, were handed over control of two provinces at Geneva.

But like the Cambodians, the carefree, staunchly Buddhist Laotians and their beloved King Sisavang Vong are both anticommunist and anti-Vietnamese. And though nationalistic, they have always been friendly toward the French who, under the peace accord, are permitted to maintain two bases in Laos as long as the latter wishes them to remain.

THAILAND

Expects to be next Red target

Lying just to the west of Cambodia and Laos, this nation well realizes that, if all Indochina falls, it would probably be the next Red target. Its full grasp

of the communist danger was demonstrated by its prompt dispatch of troops to Korea when the war broke out there and its immediate approval of the proposal for a regional pact. Thailand has even offered to become the base of operations for such an alliance. It has also requested that United Nations observers be sent to investigate communist activities in the Indo-Chinese border areas. Indeed, few nations support United States foreign policy as consistently as does Thailand. And nowhere are American visitors more warmly welcomed.

How reliable an ally might this country be? Its internal situation may offer a clue. Power is divided among the army, navy, air force and police. Premier Field Marshal Luang Phibun Songgram, a collaborator during the Japanese occupation, and the army are now in the top spot, but every so often another of the services tries to take over. These comic-opera coups, or attempted coups, always take place without reference to the people. And indeed, the great majority of Thais aren't particular who their rulers are as long as they are left to live without interference their happy lives on their rice lands and in their sampans, which picturesquely crowd the winding canals of Bangkok, the capital of this constitutional monarchy.

Thus, by nature fatalistic and easy-going, the Thais do not take to the fanaticism required of communists. Moreover, there is no history of foreign colonialism here for the Reds to exploit. And there is no hunger. Any enterprising peasant can clear himself a patch of wild forestland and start growing his own rice. Even the main Red propaganda peg—the promise of a united Greater Thai Federation, which would include the Thai-populated regions of Indochina and Burma—has failed to cause a stir. This will also be true, in all likelihood, of the appeal to resist "American imperialism" recently issued from Red China by exiled Pridi Phanomyang, a formerly pro-West ex-premier and wartime underground leader.

Paradoxically, however, this contentment and complacency constitutes one of Thailand's most vulnerable soft spots because the government need never worry



Premier Phibun heads pro-West Thai regime

about popular opposition. The small Thai Communist party, working with Indo-Chinese infiltrators, may well turn to its advantage this public apathy and the national moral and military weaknesses such indifference breeds. So far, its conspiracies—attempted periodically in the past few years—have been discovered in time, but it is not likely to be discouraged with its Viet-Minh masters so successful in Indochina.

The party draws its greatest strength from Thailand's large and highly industrious Chinese minority, which represents 3,000,000 of the nation's 18,000,000



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inhabitants. Denied citizenship and in other ways discriminated against by Premier Phibun, most are believed to be supporters of Mao Tse Tung and his puppet, Ho, though they profess loyalty to Chiang Kai-Shek.

What would happen if Thailand were invaded from outside? One cynical Thai observer told me with a touch of desperate humor: "There'd immediately be a pitched battle between the services to see who would lead our defenses. If they ever got together, they would fight only as long as it appeared they might win. If they started losing, they would probably give up. Thais are not idealistic enough to fight for a losing cause. And they love life too much to die for one."

As participants in a regional alliance backed by the military power of the United States, which is now reorganizing, training and equipping the nation's 75,000 servicemen (soon to be increased to 110,000) and its 60,000 paramilitary policemen, the Thais would probably display far more enthusiasm on the battlefield than this native observer seems to anticipate. But their dependability must, nevertheless, be weighed with caution.

MALAYA Favors anticommunist cause

The British colonial forces in this protectorate have been fighting local communist terrorists for six years. At present they have the situation well in hand. Many of Malaya's rebel leaders have been captured and the fighting has dwindled to isolated jungle incidents, though Red activity is increasing somewhat as a result of the Viet-Minh victories in Indochina.

Unlike the situation in Viet-Nam, the great bulk of the population has been won over to the anticommunist cause.

The most important element in this success on both the military and psychological fronts has been the resettlement of more than 500,000 inhabitants of jungle villages in about 500 so-called New Villages protected by barbed wire and troops. This vast project has deprived the terrorist gangs of the food and supplies once



UNITED PRESS PHOTO

British guns have halted Red terrorists in Malaya

available in isolated communities and is gradually starving the estimated 5,000 Red bandits into the open.

Moreover, these gangs, made up almost wholly of Chinese, have won few friends, thanks to their brutal methods of obtaining these supplies and keeping reluctant benefactors from informing on them.

The people's hostile reaction to communist terrorism, a policy reflecting the lack of efficient, Moscow-trained leadership, is not matched by hatred of colonial rule. With a mixed population of 3,000,000 Malays,

3,000,000 Chinese and 700,000 Indians, Malaya has not yet experienced the gnawing pangs of nationalism. Indeed, the majority of people want the British to remain for an extended period even after the communist danger is eliminated. The country-loving Malays, a minority in their own homeland, fear that a British evacuation would leave the business-minded Chinese in control.

The latter feel that, with the British gone, they would never obtain full civil rights, some of which they only recently won.

On the other hand, Britain, with its great rubber and tin interests here, has a large stake in this country (as has the whole free world) and can be counted on to continue its fight against the local communists and to contribute substantially to the strength of a regional pact. However, its present forces in Malaya (25,000 plus 15,000 Gurkhas and Malays) may not be big enough to be spared for duty in other parts of Southeast Asia. Indeed, if Thailand, just north of Malaya, should fall, the terrorists, with a new and almost inexhaustible source of arms, food and manpower, might turn the present guerrilla fighting into a full-scale war that would require even more troops for internal use than are now available.

THE PHILIPPINES Already has joined agreement

President Ramon Magsaysay has agreed to join a regional alliance, despite the opposition of some key senators. As one of the most progressive and stablest of the newly independent Asian states, the Philippines might well influence the decisions of other infant na-



MAGNUM

Philippine President Magsaysay supports alliance

tions in the area. This country already has a joint defense agreement with the United States and is the base for American air and sea power in Southeast Asia. It would be an excellent base for U. S. ground troops as well.

The nation's 40,000 man army—American-trained and equipped and including many Korean War veterans—could be greatly expanded. Its population is 21,000,000.

The Philippines have all but suppressed a communist armed rebellion among the Huks. President Magsaysay is largely responsible for this, having reorganized the army and purged it of corrupt leadership when he was Secretary of Defense shortly before he became President. This dynamic, youthful leader, worshipped by his own people, may eventually exert an influence in Asia at least as great as Indian Prime Minister

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FORMOSA

Has 560,000 trained troops

Chiang Kai-shek has some 560,000 U. S. trained and equipped soldiers (out of a population of 8,000,000) ready for action. But including them within a formal regional defense framework may be difficult. For one thing, Britain, which recognizes the government of Communist China, has recently indicated it wants closer relations with that country. This would preclude its working closely with Chiang.

The same applies to many Asian nations which, though anticommunist, have recognized Mao Tse Tung's regime as a means of reducing Red pressure on themselves.

These countries feel that a bond with Chiang, who is, of course, eager to win back the Chinese mainland, would convert, or appear to convert, a supposedly defensive regional pact into an instrument of offense and possibly provoke Peiping countermeasures.

Moreover, most Asian nations resent the fact that



UNITED PRESS PHOTO

Chiang sees his marines "storm" Formosan beach

several thousand Nationalist Chinese troops who had been chased into Burma by their Red conquerors in 1948 refuse repatriation to Formosa and are today fighting the Burmese, who are themselves engaged in a life-and-death battle with local communist guerrillas.

Chiang's standing among the West Europeans and free Asians, including the politically unreliable 12,000,000 overseas Chinese scattered throughout Southeast Asia, may plunge even further as the result of charges hurled in the United States by former governor of Formosa K. C. Wu, a man reputed for his devotion to western-style democracy, that the island has been turned into a communist-patterned police state, complete with political commissars in the army and other totalitarian trimmings.

SOUTH KOREA

Reds still line northern border

This war-ravaged country has a fully mobilized army of 600,000 veterans. But with the communists still dug in at combat strength along its northern border, it could ill-afford to send many troops to other possible war zones.

President Syngman Rhee's offer some time ago to dispatch troops to Indochina, however, indicates that he would be interested in joining a regional alliance. But as in the case of Formosa, President Rhee's declared intention to win control of North Korea by force if necessary may provoke resistance among other Asian nations to new military cooperation with him. In any case, South Korea (population: 19,-

EUROPEAN



Some free Asians fear Syngman Rhee's militancy

000,000) has a joint defense accord with the United States, which is keeping about 120,000 troops stationed in the country.

JAPAN

Can't join pact immediately

There is little chance of Japan joining a pact immediately, though this country, an American military base since the war, is building up its own armed forces with U. S. military and economic aid granted under a mutual defense agreement. Western-minded Premier Shigeru Yoshida might personally look favorably on an alliance, but he is hamstrung to a large degree by a powerful political opposition, representing an important segment of public opinion, which leans toward neutralism. Thus, when he was fighting for passage of the bills that would permit an expansion of the military, he was forced to tell Parliament that "Japan will not use the right of self-defense as a means of settling any international disputes." He then referred to Article 9 of the Japanese Constitution—framed by General Douglas MacArthur's occupational regime—which provides that the nation may have an armed force for internal policing and defense only. There appears to be no legislation contemplated in Parliament to amend this provision to permit the conversion of the country's 110,000-man "security force"—to be increased to 152,000 within the year—into a full-fledged army.

One reason for this semineutralist attitude lies in the opposition of most of Japan's 87,000,000 people to all policies reminiscent of the militaristic past, though this pacifism has been on the wane since the Korean War. Moreover, Japan, desperately searching for a means of bolstering its anemic economy, has indicated that it may try to strengthen trade ties with Communist China.

Nevertheless, considering that the government recognizes Chiang Kai-shek's regime and that Red China is allied with Russia in a mutual defense pact specifically aimed at Japan, it would appear that much of the nation's "neutralist" talk is primarily intended to strengthen its bargaining position in its economic and other dealings with the United States. Now that Geneva has spelled a new "victory" for the communists, Japan's price for closer defense cooperation with the West has indeed gone up. It has just asked for a program of direct aid or a large loan. Washington has responded by giving top priority to finding a solution to the nation's economic plight.

Another factor to be considered is that some of the other free Asian countries that were victims of the Japanese occupation during the war may not be very willing to fight side by side so soon afterward with the same soldiers who once had treated them so cruelly.

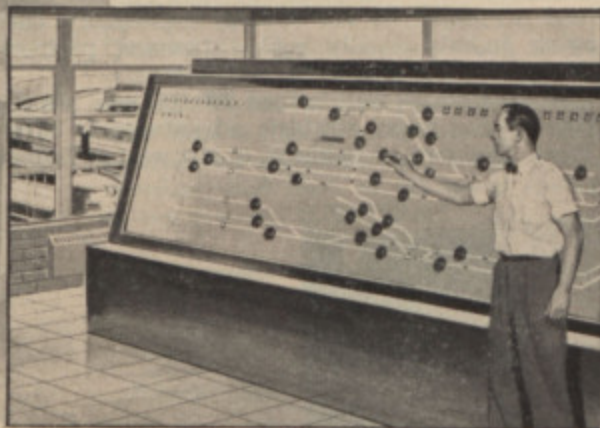
But when a preliminary alliance finally takes shape,

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the psychological obstacles confronting both Japan and its former enemies as regards Japanese membership may melt in the interests of mutual security, as might the economic considerations that today help to mold Tokyo's cautious, noncommittal foreign policy.

PAKISTAN

Fears antagonizing neutral friends

Pakistan's participation in the southeast Asia parley is no surprise. In accepting arms aid from the United States and joining with Turkey in a "friendship" alliance earlier this year this infant Moslem state had already entered the western camp. Its role in the contemplated Asia pact is of particular importance because of its close relations with the neutralist nations Ceylon, Burma and Indonesia which it may be able to nudge away from its traditional foe, India, toward the West. At the recent conference of South Asian prime ministers in Colombo, Ceylon, Pakistani Premier Mohammed Ali employed this strategy masterfully, encouraging India's usually rubber-stamping partners to disagree with Nehru on many points.

Apart from its well trained 200,000 man army, this country has many strategic advantages to offer the West. One part of Pakistan is just west of India and



Mohammed Ali's Pakistan faces uncertain future

south of Russia, holding up the eastern flank of the Middle East. Another part, the province of East Bengal, is 1,000 miles to the east, between India and Burma and not far from Chinese-held Tibet. (This area, while only one seventh the size of the western sector, contains 56 per cent of the population.)

Pakistan's value to the West has, however, been seriously compromised by a recent communist-instigated near-revolution in East Bengal where the living standard is lower than in the parent zone. Local politicians, eager to break the power of Mohammed Ali, have convinced the people that their province has been reduced to the status of a colony to be culturally absorbed and economically exploited by their distant compatriots. A United Front organization, including East Bengali parties ranging from the extreme right to the communists—strong in this province though weak in the western zone—last March crushed the Moslem League, the state's founding and biggest national party, in provincial elections. This was followed by communist-provoked riots in East Bengal's sprouting jute and paper mills when the federal government, which sits in the West Pakistan city of Karachi, refused to hold new national elections immediately.

Finally, when Chief Minister Fazlul Huq, a United Front noncommunist leader, proposed independence for the province, Mohammed Ali dispatched troops to

throw out the provincial cabinet, jail communists and impose the rule of the governor of the province, which is almost equivalent to martial law.

When an election is eventually held, the Red-infiltrated United Front has an excellent chance of winning control of the whole country—which could mean an end to Pakistani defense collaboration with the West. If a permanent split between the two sectors should occur, the communists, who have gone underground and have reportedly smuggled in arms from Calcutta, might take over the province completely. Thus, Pakistan may prove to be a weaker link in the West's defense system than anticipated.

CEYLON

More "West" than other neutrals

This scenic tropical island, strategically situated just south of India, is officially neutralist, but has edged farther westward than any other "on-the-fence" nation. Engineering Ceylon's cautious reorientation of foreign policy is stubborn, stocky Prime Minister Sir John Kotelawala, a political realist who, while respecting India's South Asian leadership, is determined that his tiny country will have a say of its own in matters affecting Asia.

This determination was clearly demonstrated, for example, during the communist siege of Dien Bien Phu in Indochina. After Nehru had refused to permit American planes carrying French troops to land in India, Kotelawala promptly let them refuel in his country. Several days later, at the Colombo conference, he again defied Nehru, initiating a move, which was backed by Burma and Pakistan, to condemn communist aggression.

If realism has to a large degree dictated this attitude, a psychological factor is also involved. Ceylon has been plagued by a crisis of conscience since December, 1952, when it signed a five-year trade agreement with Communist China providing for the exchange of 270,000 tons of Chinese rice for 50,000 tons of Ceylonese rubber. It argued that it had to have rice to prevent starvation and, in turn, the spread of communism, and that the United States would not pay a fair price for its rubber.

In any case, this fervently Buddhist country, whose Stalinist Reds represent less than five per cent of

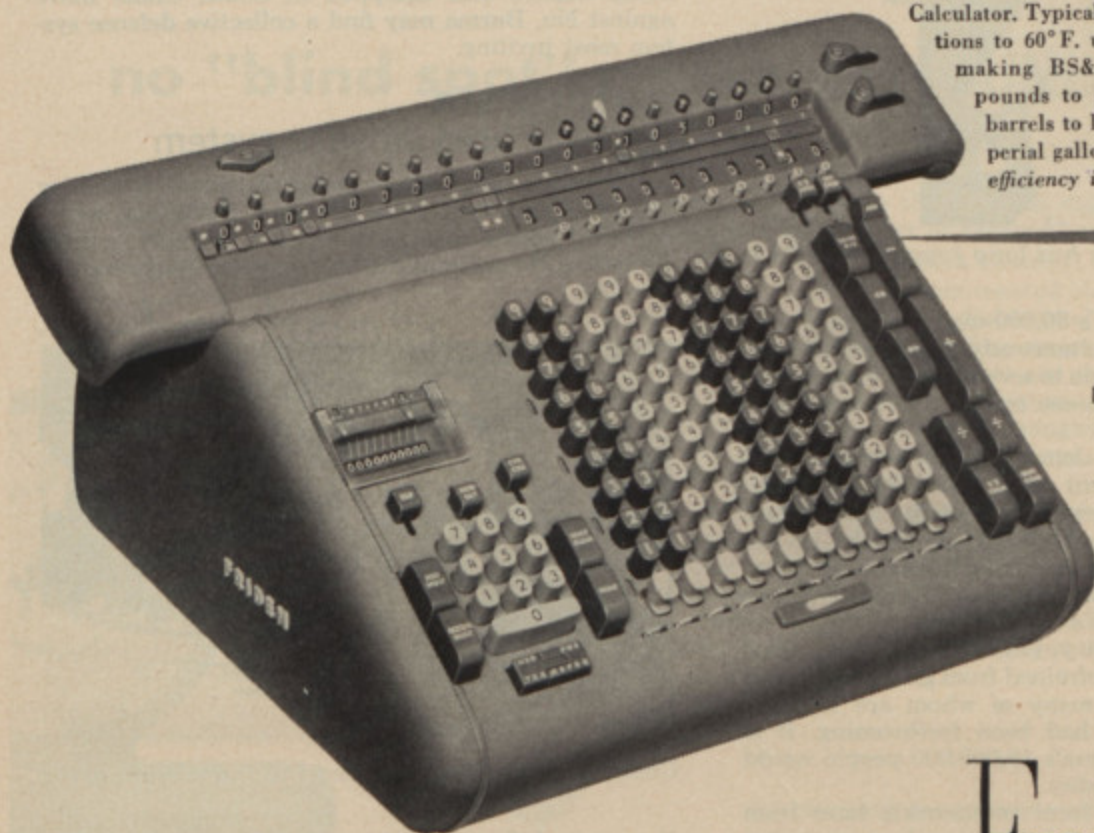


Ceylon's Premier Kotelawala is edging toward West

its 8,000,000 people (they are outnumbered by the Trotskyites), has never fully subscribed to the neutralist position. This is implicit in the fact that Ceylon, while calling for stronger ties with the British Commonwealth, has vigorously opposed an Indian suggestion for the formation of a permanent organization of

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independent Asian states. One reason for this western orientation is Ceylon's traditional fear of India which has invaded the island countless times in history. The Ceylonese look upon the British, their recent colonial masters, as a sort of security bulwark against possible future Indian ambitions. Moreover, Anglo-Ceylon economic bonds are still strong.

Nevertheless, Kotelawala's non-neutralist tactics are not popular with all of Ceylon's leaders, some of whom consider it unwise to defy massive India. Without such internal pressure, the premier, who tried unsuccessfully to call a meeting of the "Colombo Powers" to discuss the possibilities of participating in the treaty conference, would probably have accepted an invitation to the latter. Thus once an alliance is set up, this country may decide to join it. And though it has only a token army of about 2,000 men, it could provide the West with a made-to-order military base.

BURMA

Wants Red China admitted to UN

Another neutralist state, Burma, under Indian pressure, has also declined to join a defense organization. It has consistently appealed for the admission of Communist China into the United Nations and was, indeed, among the first countries to recognize the Mao Tse Tung regime. Yet, few nations understand more fully the meaning of communism. Under the leadership of Premier U Nu, one of Asia's greatest spiritual and



Burma's Premier U Nu has long fought local Reds

political figures, Burma's 30,000-man army has, since 1948, been fighting simultaneously two separate communist factions in addition to several other rebel groups and the Nationalist Chinese troops who refuse to go to Formosa.

That Nu's struggling democratic government, leading a nation independent only since 1947, has survived these attacks is surprising enough. That it has, one by one, been able to break the backs of the attackers—and with little outside aid—is almost miraculous. This "miracle" has to a large degree been made possible by Nu's Cold War neutralism.

As a result of this policy, Communist China, which borders on Burma, has refrained from giving active aid to the Burmese Reds, many of whom are overseas Chinese. If such help had been forthcoming, it is almost certain that Burma's 19,000,000 people would be communist vassals today.

Another reason why local communists have been able to make little headway is that they have no propaganda peg strong enough to win over the people. They can't pose as freedom-seeking nationalists, as do the Reds in Indochina, because Burma is already completely independent. Even more important, Premier

Nu has helped his people find the ideological answer to communism—spiritual faith. The premier is a gentle Buddhist mystic who deplores violence despite the fact that his whole career since he became ruler as the result of the mass assassination of almost every member of the preceding cabinet has been built on violence. He started a Buddhist religious revival in Burma in early 1950 just when the government seemed least likely to survive. By the end of the year, the Reds and other rebels, such as the Karens, who demand an autonomous state in southern Burma, were butting their heads against a stone wall of popular resistance.

"It was a gradual but definite realization by the people that peace cannot be achieved by spilling Burmese blood, that the placing of Marxist doctrine above Buddha's teachings is a sacrilege," explains Socialist Nu, who spends more time in prayer in the thatched bamboo hut of worship in his garden than in the conference room with his generals.

Now that the Burmese Reds are barely hanging on, he is growing bolder in his official attitude toward the communist powers. He is not unaware of the effect that communist gains in Indochina, which touches on Burma's eastern frontier, may have in bolstering the position of the local Reds. At the Colombo conference, he refused for the first time to go all the way with the neutralist policies of India.

But Premier Nu must move cautiously in his relations with the West, for memories of British colonial days are still sharp in the minds of his people. They are still apprehensive lest colonialism reappear. Moreover, they blame the United States for not prevailing on Chiang Kai-shek to get his troops out of Burma, a bitterness that resulted last year in the nation's refusal to accept further American economic aid. However, if the communist danger in Southeast Asia continues to grow, and particularly if Burmese Red forces reported being trained and equipped in South China move against Nu, Burma may find a collective defense system most inviting.

INDONESIA

Opposes area defense system

Neutralist Indonesia, a group of islands stretching from Sumatra, west of the Malayan Peninsula, south-eastward almost to Australia, today strongly opposes formation of a collective defense system. Only recently,



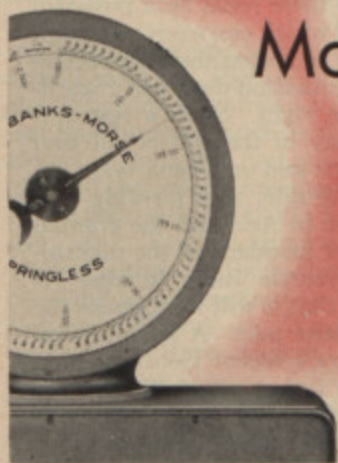
Communists have infiltrated the Indonesian army

it suggested that it might seek a nonaggression pact with Communist China to try and offset the pro-West balance that such an alliance would create in this part of the world. The main reason for this attitude lies in the fact that the political group now running the gov-



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ernment—the noncommunist but opportunistic Nationalist party—must depend on support of the communist party to remain in power. (As in many South-east Asian countries, Chinese inhabitants are the backbone of the Red movement.)

This situation may change within a few months. Indonesia's first parliamentary elections since the state won its independence from the Dutch in 1949 are to be held soon, though no exact date has been set. Indications point to a disaster for the present coalition, nominally headed by Premier Ali Sastroamidjojo but in reality under the control of shrewd, dominating President Sukarno, both of the Nationalist party. Expectations are that the new government will be led by the powerful Masjumi (Moslem) party and supported by the Socialist and Catholic groups, all violently anti-communist.

The Masjumi party, though religious in nature (a fanatical fringe is in armed guerrilla rebellion against the government), is under the moderate, progressive leadership of Mohammed Natsir who would probably support a regional pact, though, like Burma's Premier Nu, he may hesitate to join such an alliance because of his country's strong anticolonial feeling and a reluctance to break so openly with Indian policy.

There is a danger that the communists, encouraged by Red victories in Indochina, might attempt to take over the government completely before elections can be held. They are canvassing the villages preaching to

munism. Until this is achieved, it believes, the new free nations can only ward off the aggressiveness of the communist powers with continual assurances of peaceful and friendly intentions, and appeasement when necessary.

A second source of India's neutralism is its still deeply imbedded fear of western colonialism. This apprehension is to a large degree behind the opposition

EUROPEAN, METRO



Fear of Russia and the West afflicts Nehru's India

to formation of a defense pact. Dehli feels that, if western troops returned, some excuse would be found to keep them in this area indefinitely.

Another explanation is that India is even more scared of communist imperialism. Prime Minister Nehru has the means to suppress domestic communists, and he uses it ruthlessly, branding them as "traitors" and "slaves of a foreign power." But he knows he is helpless against that foreign power. So, Nehru reasons, why provoke neighbors he cannot control without having to accept the aid of other countries he also fears, if to a lesser degree?

This nation's fear becomes ever more apparent as one approaches its northeastern border areas near Chinese-held Tibet. In the little Himalayan trading post village of Gangtok, capital of the province of Sikkim, an Indian official told me as he anxiously watched a Tibetan donkey caravan creak into town after crossing the snow-capped mountains:

"We are always aware that military activity is going on just over those peaks." Then he added characteristically, and rather pathetically: "I guess all we can do is let them know that we want to be friends with everybody."

Still another factor dictating India's foreign policy is that the government feels there must be a powerful neutralist group in the world which can exert pressures on the cold war belligerents to soften their respective positions when an explosive situation develops, regardless of who might be in the right. Such a restraining force, India believes, may in the end be all that stands between a fragile peace and an atomic war.

But despite its present attitude, it is possible that further communist aggression in Asia and the gradual westward orientation of other members of the neutralist bloc may eventually persuade India to alter its policy, at least to the extent that it will not oppose the setting up of a regional defense pact. A hopeful sign can perhaps be seen in Nehru's recent Dehli meeting with Red China's Chou En Lai at which the Indian leader reportedly made it clear to his guest that India will not look passively on new communist adventures.

If, indeed, this country with its 357,000,000 people, including 400,000 well-trained and equipped troops, should eventually defy the Reds, the power balance in Asia will, in all likelihood, have swung decisively toward the free world.

END

WIDE WORLD—UNITED PRESS PHOTO



Indonesian leaders: Sukarno, Natsir, Sastroamidjojo

the Moslems or most of the nation's 80,000,000 people that communism is the logical extension of Islam. Moreover, many communists have infiltrated the dangerously split 230,000-man army, part of which favors the Sukarno government and part of which supports the opposition. If the communist threat starts to get out of hand, however, the Nationalist party may abandon the Reds and join with the Masjumi group in resisting them, though the respective leaders of the two noncommunist factions are bitter personal enemies.

INDIA

Leads neutral countries

There is no present indication that India, leader of the neutralist bloc, will soon join, or even approve formation of, a regional defense alliance. This seemingly inflexible attitude springs from several deeply rooted sources.

The first is a tendency toward isolationism, common to most infant nations, including our own in the past. It is based on an underdeveloped country's natural desire to concentrate on its own overwhelming domestic problems. In the long run, democratic India is convinced, only improved living standards can beat com-

Transportation's Peacetime Boom

(Continued from page 38)

generally carry small shipments of high value freight, average 5.4 cents per ton-mile for their services. But most of America's 10,000,000 trucks are private carriers serving individual companies rather than operating as public carriers for hire.

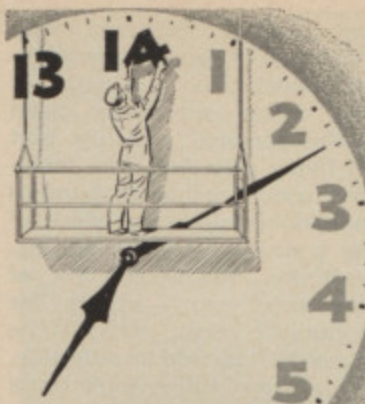
Meeting the demands of passenger and freight traffic today calls for heavy investment in transportation plant and equipment. We have 2,000,000 miles of surfaced highways, one third of all the road mileage in the world. And eight out of ten of the world's motor vehicles ride these roads. This year we are spending an all-time record of more than \$6,000,000,000 for road construction and maintenance, and highway expenditures since the end of the war have exceeded \$30,000,000,000.

The most spectacular accomplishment in highway development since the war has been the toll road, of which more than 1,000 miles are operating. Another 4,000 miles of toll facilities are planned or under construction. Road costs ranging from \$5,000,000 to \$10,000,000 a mile are now commonplace, and in the case of one project, Boston's Central Artery, the elevated road through the heart of downtown is costing \$57,000,000 for less than two miles.

Railroad mileage is not so extensive as our highway mileage but our 224,000 miles of rail routes account for 29 per cent of the world total. On these routes are 190,000 bridges. Since 1945, the railroads have invested \$10,000,000,000 in new motive power and equipment for freight and passenger service, and in modernization of track and traffic control facilities.

Airports continue to require heavy capital outlays. The recently completed instrument runway at Newark cost four times as much as the entire airport when it was first opened. At Idlewild the control tower alone cost \$1,000,000, plus \$600,000 for radio and radar. Today's airports are becoming cities in themselves. Ten thousand people make their living at National Airport in Washington. Chicago's O'Hare Airport, the nation's biggest, covers 6,900 acres. With airplanes taking off or landing at the rate of 12 per minute, it takes a \$4,000,000,000 investment on the ground to keep us in the air.

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ing and clothing, the next most important item in the consumer budget is transportation. Ten cents out of every dollar consumers spend go for the personal mobility that modern living calls for. The transportation requirements of families and individuals alone, exclusive of business travel and freight hauling, will call for \$24,000,000,000 of spending this year—mostly for autos, gasoline, tires, and all the other items that go into an auto ride. The family travel bill is three times the prewar peak.

Spending \$55,000,000,000 a year means that transportation is one of America's biggest customers for a great variety of goods and services. The railroads spend \$1,750,000,000 annually on 100,000 items that range from toothpicks to telegraph poles. The railroads consume ten per cent of all coal used in the United States.

Railroad consumption of ice is 17,000,000 tons, one third of the nation's total, and the expenditure of \$100,000,000 a year for cross ties (3,000 are required per mile of track) finds the railroads taking nine per cent of the nation's lumber supplies. With 22,000,000 overnight guests, the Pullman Company buys as many as 226,000 new sheets and 1,705,000 hand towels in the course of a year. If all the railroads' linen went out to dry at once the Pullman Company could string its clothes lines all the way from Miami, Fla., to Nome, Alaska.

But the automobile industry is the biggest customer in the transportation family. Since the war the auto manufacturers have produced 50,000,000 motor vehicles. Automotive transportation uses 90 per cent of the gasoline consumed in the United States, 75 per cent of the plate glass, and 85 per cent of all new rubber, natural and synthetic. In the course of a year, automobile manufacture consumes the wool from 17,000,000 sheep, enough cotton to make 20 dresses for every feminine wardrobe in the country, and the leather from 500,000 cattle. Auto production calls for everything from ground walnut shells (for automatic transmissions) to corn, sugar cane and beeswax. Every car uses seven miles of electric wiring, and one out of every five radios is on the road.

With population continuing to mount, and with all roads pointing to continuing economic growth, an expanding volume of travel and freight movement in the United States seems assured. This is particularly true because transportation is in the forefront of technological changes that are certain to bring improved methods of moving around. Estimates of motor vehicle registra-

tions 20 years hence run as high as 85,000,000 units, and recent estimates of air traffic volume put the total at 73,000,000 passengers by 1970—more than twice the present figure.

In aviation the next big steps will be the introduction of turbo-prop transports and turbo-jet aircraft. Capital Airlines plans to introduce a British turbo-prop airplane next spring. The Vickers Viscount, already in European service, will provide speedy and relatively vibrationless air travel, using turbines to drive the four propellers rather than to provide thrust as in the turbo-jet. Meanwhile Boeing's speedy new turbo-jet transport is being made ready for airline speeds exceeding 550 miles an hour.

At the other end of the speed scale the helicopter, which carried the mail 1,000,000 miles last year in Los Angeles, Chicago, and New York, is beginning to provide limited passenger service on three routes. Passenger service operated in the Miami area by National Airlines is accommodating 1,000 people monthly. New York Airways provides passenger shuttle service between LaGuardia, Newark, and Idlewild airports; and Mohawk Airlines, operating from Newark, is carrying vacationers into the Catskills. Two-engine helicopter transports carrying 40 passengers and cruising at 150 miles per hour are now in military service. They may be revolutionizing short-haul intercity transportation and metropolitan area travel sooner than we think.

In an era when transport accomplishments have been so tremendous, it is difficult to realize that most of the advance has occurred in so short a time. More transportation progress has occurred in the first half of the twentieth century than in all previous history.

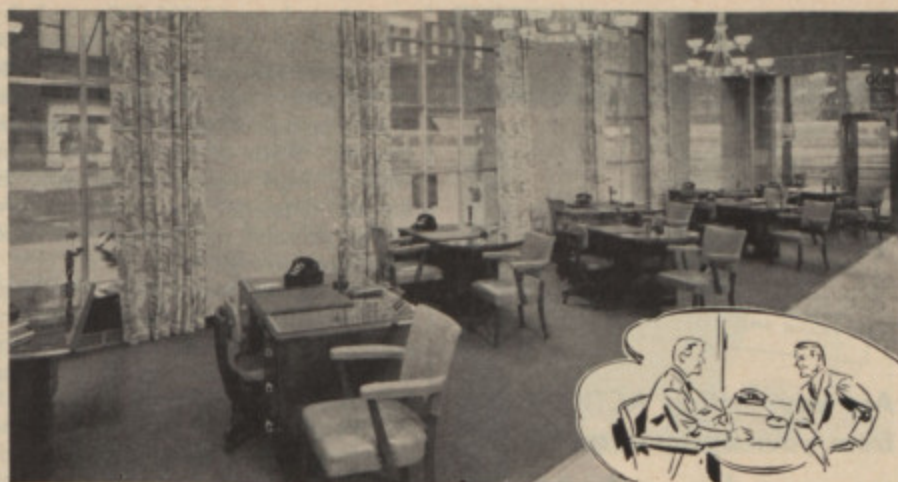
As recently as 1905, for example, it was claimed to be "little less than feeble-mindedness to expect anything to come of the horseless carriage movement," and of the airplane it was predicted in the same year "that the limits of success have been reached with this type of flying machine." As late as 1914, the production of wagons and carriages exceeded the output of motor vehicles, and two years earlier proposals for a national system of highways were looked upon as a frivolous use of public funds "for the benefit of a few wealthy pleasure seekers." Opponents of highway development pointed out at that time that it would be "impossible for haulage over any road surface to compete with the low cost of hauling on a railway."

In the face of these ill-advised pro-

nouncements it would be hazardous indeed to take a stand on what the future holds for transportation in the United States. With population expected to reach 200,000,000 by 1970, however, and with our economy capable of producing twice today's output of goods and services by that time, it is apparent that the magnitude of tomorrow's mobility will dwarf today's attainments.

Stepped-up developments in air freight, private flying, conveyor belt transportation, and jet power for planes and motor vehicles are among the many new transport possibilities. The continued growth and spread of metropolitan areas will multiply freight and passenger needs and provide new impetus for rail, highway, and terminal modernization that is only hinted at today. A great revolution in transport for our cities is long overdue and will have to come—or city people will have no place to go.

The fact that much of the nation's military and industrial research has a direct bearing on future methods of movement makes the outlook especially bright for unparalleled innovation in the years ahead. It would be "little less than feeble-mindedness" to doubt that the transportation system is destined, in the decades ahead, to furnish a bigger and better ride than America has ever dreamed of taking. **END**



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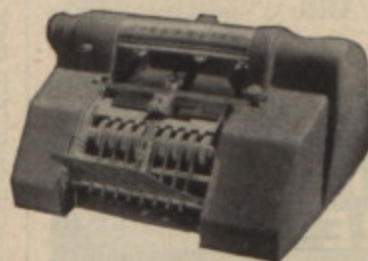
(Continued from page 30)

personnel. Second, we don't gain a net in dollars, but in the ability to save—because more skillful manufacturing processes cut the cost of everyday items like autos and oil products."

The Australian government cannily draws its labor material, the bulk of the migrants, from England and Europe. These migrants are accustomed to a lower standard of living than the Yanks. About half the migrants come from England, the second largest segment, ten per cent, from Italy, and most of the rest from northern Europe. Since World War II only one per cent of the migrants have been Americans. However, the U. S. is the leading foreign investor. American capital, defined as productive plant, equipment and inventory, is coming in at the rate of more than \$40,000,000 a year. The trend continues to be profitable to both sides.

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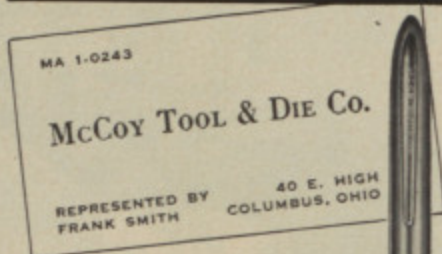
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Agriculture, principally wool and meat production, has been the mainstay of the economy, but with increasing population, manufacturing becomes steadily more important. At this stage, about two thirds of the American capital is involved in automotive and related enterprises. One of the biggest corporations is General Motors Holden, with five factories, 12,700 employees, and plant and inventory valued at about \$67,000,000. It is the second largest plant in Australia, second to the Broken Hill Proprietary Co., the country's big steel producer, and a monopoly, with 24,000 employees.

The largest Holden plants are in Melbourne and Woodville, near Adelaide. We visited the 50 acre factory in Melbourne, in a waterfront section called Fisherman's Bend. From Harry A. Cavanaugh, a native of White Plains, N. Y., and the firm's sales manager, we heard details of an amazing success story, the story of Australia's only native auto, the Holden, built on American know-how and capital.

Born in 1948, the Holden had 37 per cent of the Australian automobile market last year and is reaching for 40 per cent. In six years, the car has become so popular that 11 per cent of the autos on the road in Australia are Holdens. There is a nine months' waiting period for delivery.

The management is planning to step up production from 227 a day, the present level, to 250. A new plant has been started at a Melbourne industrial suburb called Dandenong, since the present factory space at Fisherman's Bend can't be expanded any further. The Dandenong plot provides another 150 acres.

Although the roads are poor, Australia is an outstanding market for cars and trucks. It is third in the world in per capita cars and trucks—the ranking is U. S. first, New Zealand second. Australia has one motor vehicle for every 5.2 people. Probably the vastness of the country makes vehicles especially necessary, and agricultural wealth makes it possible to buy them.

After World War II, Australia's dollar shortage led to a virtual embargo against imported American cars and trucks. British motor interests tried to exploit the advantage,

and might have succeeded, if General Motors, Ford and Chrysler had not caught on to the idea of the subsidiary company and started making vehicles in Australia. The Aussies like American cars and trucks, since they are usually more powerful than the British competition, and better suited to the long Australian distances and rough country. Now Ford's Canadian subsidiary is second to G.M., has about 25 per cent of the market. The American-Australian subsidiaries of Chrysler-Dodge and International have about four per cent and three per cent respectively. The big British competitors are Austin and Nuffield (Morris) with about ten per cent each.

The Holden is a distinctly Australian auto, not as small and low-powered as the British competition, but not as large as America's Big Three. It is about the size of the Nash Rambler, with an overhead valve, six-cylinder engine that looks like a slightly smaller version of the stateside Chevrolet powerplant. The car has spectacular performance because of its power-to-weight ratio. Styling is conservative. It has a unitized construction—like the American Nash and Hudson, it has no chassis but instead a heavily stressed body and frame, built into one piece. Best of all, from the Australian point of view, it is one of the cheapest cars available. Largely because of American manufacturing know-how, it sells for about \$2,250, a shade less than the British cars—even though the British cars enjoy the benefit of preferential tariffs.

The Fisherman's Bend (Melbourne) GM-Holden factory is the main assembly plant, as well as the builder of Holden engines for all Australia. The Holden bodies are made in the Adelaide (South Australia) factory and shipped 300 miles to Fisherman's Bend. The other GM plants in Perth, Brisbane and Sydney are assembly plants, tiny by comparison, with a total of only 1,470 employees.

The Fisherman's Bend factory has a modern foundry and an efficient assembly line. Both seem small by comparison with one of the Detroit majors—but they do put out more cars each year than some of the American independents.

We made a tour of the assembly line with the production manager, Frank P. Callahan of Toledo, and the firm's Australian public relations man, Jack H. Horn. They pointed out a type of car very popular in Australia, the utility coupe—which is like a pick-up truck but with a much more refined and highly finished cab or passenger compartment.

Sprinkled along the assembly line

were a few Vauxhalls. The Vauxhall is a smaller and less powerful British version of the Chevrolet. It retails for approximately \$100 more in Australia than the Holden. Horn and Callahan pointed out that the company also makes several kinds of trucks: GMC, Bedford, Maple Leaf and Chevrolet. Percentagewise, these are much less Australian in origin: many more of the components, including engines, are imported.

A nucleus of 22 highly skilled Americans — executives, engineers, and sales people, work with the GM- Holden organization. In 1948, when the Holden car project was about to be launched, 40 Americans were working at Fisherman's Bend. The managing director, Earl C. Daum, was born in New Haven and went to Dartmouth College but, like many other of the GM- Holden executives, he served GM in many foreign countries. His foreign duty before Australia involved Egypt, South Africa, India and Sweden—a total of 29 years of service.

The chief engineer at GM- Holden, Charles R. Lewis, was one of the first



specialists to go to work on the Holden project. He was taken from the styling section of GM in Detroit and assigned in 1946 to the team which was drawing plans for a car which would appeal particularly to the Australians. He came to Australia early in 1947.

Before leaving the Holden plant, we asked the acting managing director, American-born H. A. Diment, what advantages an Australian-American subsidiary company would have over a comparable investment in the United States. He said: "The field is less competitive, and you can put your profits back. In the past nine years we have reinvested 83 per cent of our profits."

About eight miles west of Melbourne, another large American firm is investing heavily in an enterprise related to motor vehicles. It is Vacuum Oil Co. Pty. Ltd., an Australian subsidiary of Standard Vacuum of New York. They are building a refinery scheduled for completion early in January, 1955. It will have a capacity of 22,000 barrels a day. Besides producing regular gasoline and oil, it will be the country's first domestic supplier of high-test aviation gas.

The Altona refinery is now the usual collection of storage tanks, temporary wooden buildings, skeletal permanent structures for administration, power, etc.—and rapidly growing cat cracking, poly and ethyl plants. Richard Price is bossing the project for Vacuum, but the actual construction is being done by an American specialist firm, the Braun Trans-World Corporation, foreign branch of C. F. Braun of Alhambra, Calif. More than 100 American technicians have come over here to manage the work, which was started in early 1952. An American labor specialist, Morton N. Pierson of New Jersey, came to handle the relations with the Australian workers, and he has achieved relatively smooth sailing with an innovation in method. Instead of negotiating labor terms with the government award boards (the usual Australian procedure), he made arrangements directly with the labor unions.

Vacuum already has a large capital investment in Australia, aside from the Altona refinery. It owns a net of service stations and a half interest in the Papua oil wells. The service stations market a popular gasoline called Plume and another Standard Vacuum subsidiary, Atlantic Union Oil Co. Pty. Ltd., sells the Atlantic brand. Atlantic and Plume and the other American brand, Power Chief (the Caltex product), together have more than half of the Australian market. The competition is Shell, and Neptune, owned by the Shell company.

The oil drilling operation in the savage island of Papua, near Port Moresby, is being sponsored equally by Vacuum and the British firm, Anglo-Iranian. The promising geological structure has been under investigation since the end of World War II, and experts estimate vast quantities of oil should be present.

The first well, Omati No. 1, ran into bad luck. At 13,700 feet, the drill struck gas at extremely high pressure—8,000 to 9,000 pounds a square foot. The walls caved, the bit was stuck, the drillers "lost their fish." Right now the company is trying to bring in special tools to save the drill.

The second hole, Omati No. 2, was started in April, a few miles away on the same geological structure. At this time, the bit is nearing 5,000 feet and no oil has yet been hit.

The Caltex people have enjoyed much better luck. Prospecting in the vast, barren reaches of Western Australia, their teams brought a huge, million dollar National rig into action at Exmouth Gulf. At 3,600 feet they hit oil sand. On orders of Jack Nuland, dynamic boss of Caltex in



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Australia, the find was sealed over and the drilling continued deeper.

This well is the first oil find in Australia. Fifty years ago a drilling crew found natural gas in the mineral-rich eastern state of Queensland, but no oil. The gas was put to good municipal use. Now American prospecting crews, operating on relatively small capital, are working over this terrain, too.

About 20 miles south of Sydney, at Kurnell, Caltex is constructing a new refinery about the same size, capacity and cost as Vacuum's Altona works. The company built a seven mile road over a bleak sand-spit, at a reported cost of more than \$1,000,000, to provide access to this spot on the south shore of Botany Bay. Here, a land wharf three quarters of a mile long is pushing out into the Bay, only a few hundred feet from the spot where the redoubtable Captain Cook first set foot on Australia in 1770. From the shadow of the Captain Cook monument, one can see the towering derricks of the construction crews.

Strangely enough, the economic enterprise has a cultural by-product. Before Caltex came to Kurnell, it was difficult for sightseers to visit the Captain Cook landing place. They had to make a long boat trip across Botany Bay from the north, or else trudge the seven miles of deep sand from Cronulla. The municipal authorities warned the Caltex people that a blacktop road was not feasible because of the shifting sands. But the company put through the road, and so far it has been perfectly useful for the company operations—and for the cars of tourists interested in seeing the Captain Cook obelisk.

The construction work at Kurnell is being handled, as at Vacuum's Altona refinery, by subcontracting builders. Forty Americans supervise the work of 2,400 Australians on the 400 acre tract. The principal contractors are Chicago Bridge and Iron Co., Fletcher, Merritt and Raymond, and E. B. Badger. The jobs of the contractors are interlocking, their organization is complex. The prime contractor, Badger, for instance, operates from offices in London, spends pounds, but has American personnel.

One of the big engineering jobs at Kurnell has been to dredge a turning basin so that tankers can come to the pier. The Caltex people have pulled more than 2,000,000 cubic yards of sand from the bay floor and used it to fill swampy places in their acreage. Skeptics once alleged that the narrow entrance to Botany Bay, between Cape Banks and Cape Solander, had too many shifting bottom sands to allow the passage of

big ships. Systematic soundings proved them wrong.

When it is completed, about July, 1955, the Caltex Kurnell refinery will have a capacity of approximately 22,000 barrels a day. This output could be called medium size. In terms of crude capacity, it is only one eighth the magnitude of the Company's biggest foreign refinery, in the Persian Gulf. But Caltex officials point out that it is relatively easy to expand an existing refinery by putting in extra crackers and storage. Much easier, that is, than to start from scratch and build a whole new base.

Two British oil companies are rushing the construction of Australian refineries to challenge the Americans. They are Shell and Anglo-Iranian, and their refineries are respectively at Geelong, near Melbourne, and Kwinana, in Western Australia south of Perth.

Kwinana (which incidentally means pretty girl in aborigine language) is the largest in capacity of all the new refineries. It will be handling 63,000 barrels a day, more than Caltex and Vacuum combined, when it is finished at the end of 1955.

The location of Kwinana on the Far West coast of Australia indicates that the company has an eye on Asiatic as well as Australian markets. Australia is a far safer place for this kind of enterprise than Southeast Asia, where nationalistic minded governments are likely to grab off such tempting chunks of productive capital. The Kwinana location is also convenient for ships bringing crude from the Anglo-Iranian fields in the Middle East.

Shell's Geelong refinery, on the shore of Port Phillip Bay about 30 miles west of Melbourne, will be able to handle 36,000 barrels a day. A fifth, much smaller refinery of an Australian company, Bitumin and Oils, will be able to process only 6,000 barrels. All told, the five new refineries will have a capacity of 149,000 barrels, shaking down to about 141,000 after refining losses. About 61,000 barrels of this will probably be gasoline. This would be about enough to supply Australia's present needs—if all of the Kwinana production were turned toward the Australian market—which it probably will not be. With all the spending for refineries, the country will probably soon have a greater demand than supply of gasoline and oil.

Another automobile and truck item, tires, has proved profitable for the only American subsidiary engaged in the market. Goodyear Tire and Rubber Co. Ltd., with a good-

sized factory in Sydney, gets a little more than a third of the total tire business in Australia. In truck tires, the Australians prefer the American product, and Goodyear has the majority of the market.

Goodyear's competitors are Dunlop (British) and Olympic (Australian). Dunlop enjoys about the same share of the market as Goodyear, and Olympic has a slightly smaller percentage.

Trucks and farm equipment are a booming business in Australia. International Harvester Australasia, a subsidiary of the Chicago concern, started with 250 factory employees in 1938, and now has 3,000. Sales volume, according to Walter Kilgough, board chairman, has increased 20 times since then. The firm's farm implement plant has increased sevenfold in size since 1946. The value of the plant and inventory is now more than \$15,000,000.

International has the largest share of Australia's truck business. The factories are near Melbourne—one at Geelong, the other, an assembly plant, at Dandenong. More than 2,400 people work at Geelong, where increasing numbers of truck components are being manufactured. The company's aim is to manufacture all the parts, but for the present, they find it cheaper to bring in some components.

We visited the International assembly plant at Dandenong. It is clean and modern, having been opened in June, 1952. The works manager, Mervin Lee of Fort Wayne, Ind., summed up the business situation: "We sell all the trucks we can get right now."

The Dandenong plant has only 400 employees and 151,000 square feet of floor space, but it will be doubled in size within the next five years.

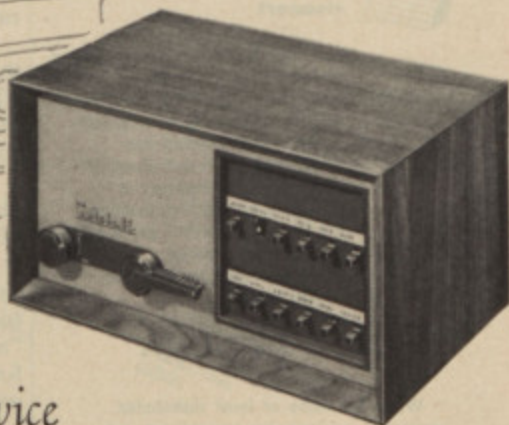
Dandenong, incidentally, is one of the fastest growing industrial areas in all Australia. Besides the International truck plant and the 150 acre tract General Motors-Holden will use for expansion, it is the site of H. J. Heinz new \$7,000,000 ultra-modern factory. The Heinz plant is now a sprawling steel skeleton, with the concrete foundation and much of the roofing erected. Taking us on a tour, manufacturing director Jerry Warner (of Philadelphia) pointed out that certain building materials have been hard to get in Australia. Cement is one short item here, much of it being allocated for schools and hospitals. The Heinz company brought some from England, Sweden and Japan. Structural steel was in short supply too, but the firm found plenty in Germany.

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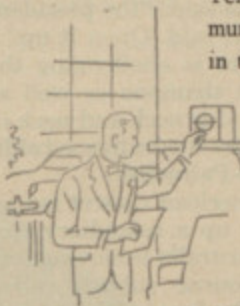


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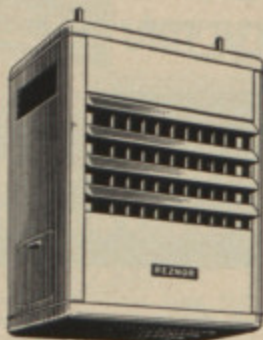
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popularity in Australia since 1946. "We have the biggest part of the market, about 40 per cent," Mr. Warner said. "Our sales have gone up five times since 1946."

He said the items most in demand are baked beans and spaghetti, with soups and green peas next in rank. Australians like hearty, nourishing food—the Aussie baked bean sandwich being a good example.

The Australian gross is now about two per cent of the world-wide Heinz sales, and growing fast. The new factory, scheduled to open in early 1955, is designed so that every section—manufacturing, storage, maintenance—can be doubled in size without changing the over-all arrangement.

Another spanking new factory in the Dandenong section is that of the Chesebrough Mfg. Co., Consolidated, makers of Vaseline products like hair tonic, shampoo and brilliantine. It is a small plant, even by Australian standards, with 65 employees and 45,000 square feet of floor space, but it is a model of modernity. Opened in October, 1953, it has the latest factory equipment and handsome "amenities" (Australian for comforts) like the spotless cafeteria for workers.

The general manager of the firm for Australia, young and good-looking Ralph E. Ward, was a fighter pilot in World War II, went to Chesebrough right afterward. He was sent back to Australia in 1948 to challenge the hair-dressing lead of Byrlcream, the British brand. He contracted with small Australian suppliers to make Vaseline products, and sales climbed so rapidly that the organization was overloaded and unwieldy.

"In 1951," he said, "the president came down and said 'Open it up.'"

Now the firm is challenging the competition in shampoo as well as hairdressing and is neck and neck in this race with the Australian subsidiary of Colgate-Palmolive.

The first American cigaret manufacturer to set up a subsidiary corporation in Australia is moving into another Melbourne suburb called Moorabbin. The firm is Philip Morris (Australia) Ltd., to be capitalized at between \$3,500,000 and \$4,000,000. Construction work on the factory—cost estimated at \$800,000—has been started, the foundation and some of the brickwork finished.

The PM managing director for Australia, Walter J. McFadden of Louisville, says that 80 per cent of the investment will be in tobacco. The firm will use American tobacco, but will also buy Australian leaf (as they must according to law), in the states of Queensland, Victoria and

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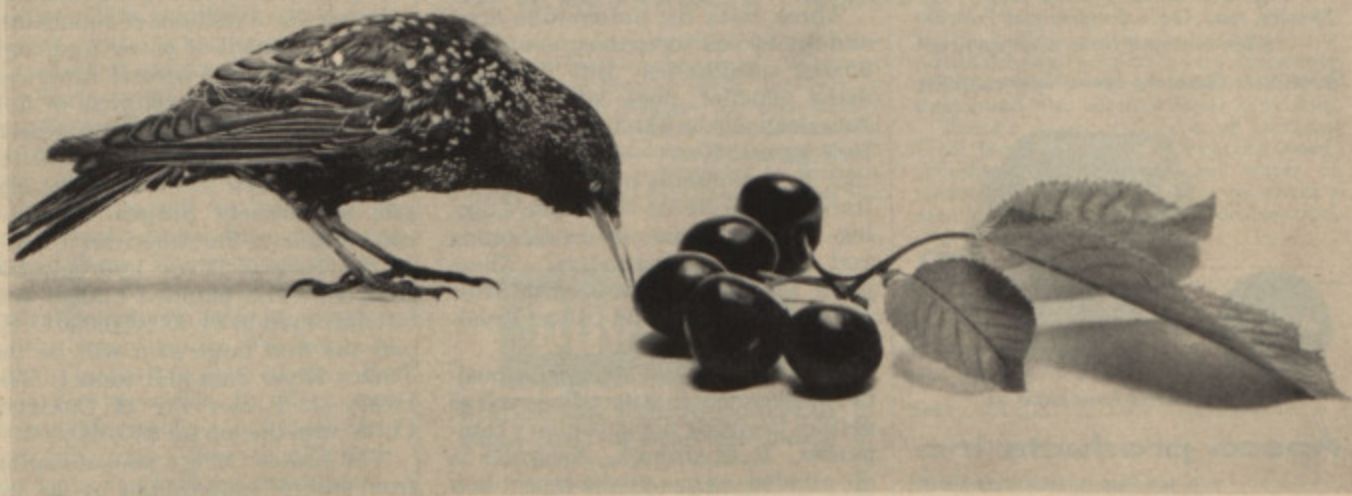
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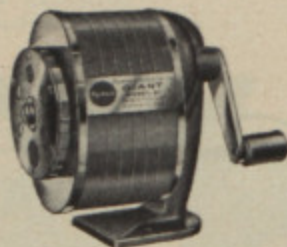
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Western Australia. An American leaf expert, Frank Jett of Richmond, Va., has come down here to train an Australian buyer to scout the Philip Morris types of tobacco. This is a problem because tobacco is graded by position on the plant in the U. S., while it is classed by length and color in Australia.

Messrs. McFadden and Jett both offer enthusiastic prognoses of success for American cigarets here. The Australians developed a taste for the American type (more mellow than the straight-grain English and Aussie brands) during World War II, when 4,000,000 American servicemen passed through with the incidental effect of introducing American customs.

After the war, the Australian dollar shortage led to an embargo against American cigarets. The embargo is in force today—and the smuggling of American cigarets is a profitable business. Occasionally, the Australian customs people make raids, usually on ships, and confiscate thousands of illegal packages. And so the Philip Morris venture should be a profitable one—especially since the new factory will have all the latest equipment including wrapping machines which will turn out the new pop-up package.

Many of the big American subsidiaries in Australia have been omitted from this article. We felt it was wise to pick a handful of examples and write about them in detail. But at least the names of the subsidiaries with more than \$2,000,000 capitalization should be mentioned: Titan (American Cyanamid), Mt. Isa Mines (American Smelting and Refining), mining copper, silver, lead, zinc and gold; Burlington Mills, Canada Dry, Kodak Australia, Australian General Electric, Pierwood Plastics (the mechanical toy company of Marx, Louis and Co., New York), and Swift-Australian (the Chicago meat packing firm).

These, with the automotive firms and the two oil companies, are giants among subsidiaries. But there are many smaller ones with famous American names like Pepsi-Cola and Kellogg and Kraft—and many firms that do a profitable business in Australia on a licensing basis, like Corning Glass, Carrier air-conditioning and Crosley refrigerators. These firms arrange contracts with Australian companies and collect royalties or other payment.

One of the major American business enterprises in Australia involves neither licensing nor subsidiary companies. It is aircraft. Australia is air-minded, as one might expect in a nation of such vast distances and

poor roads and railroads, and an island continent so far removed from neighbors. Airlines, therefore, are a major Australian industry and large amounts of Aussie money are tied up in transport planes. At present, the equipment on all the Australian airlines is American made. The planes are Douglas DC-3s, DC-4s and DC-6s, Convairs, and Lockheed Constellations and Super-Constellations. Qantas, the only Aussie airline with foreign traffic routes, has the biggest investment in aircraft—more than \$40,000,000 in Constellations and Super-Connies.

The domestic Australian airlines, Trans-Australian Airways and Australian National Airways, have fleets of DC-3s, many of them World War II conversions, doing the yeoman work. They were picked up in the early postwar days at bargain rates, but TAA also has five almost new Convair 240s, and two DC-6s recently bought from National Airlines (U. S.) and plans to buy two new DC-6s.

Both Douglas and Lockheed ordinarily have a resident American expert on liaison duty to care for the technical problems of the airlines. But now, with Qantas' current expansion, more have come down to handle the "break in" of eight new Super-Connies. Four men from Lockheed will work with the regular Lockheed representative, Peter Mingrone. A Curtiss-Wright specialist, from the propeller division of the Caldwell, N. J., firm, Milton J. Getker, has arrived to stand by during the initial service period. An engine specialist, Michael C. Lockwood, of the Wright Aeronautical Division of Curtiss-Wright, is stationed here permanently to care for Australia's big investment in Wright engines.

A different type of American capital is involved in another phase of Australia's program for growth—civil engineering projects. The government has thrown the equivalent of hundreds of millions of dollars into the development of power and communications—and several American firms are gambling millions of dollars' worth of equipment, engineering know-how and labor payrolls for the fat contracts available. The biggest government project by far—comparable to the American TVA—is the Snowy River hydroelectric complex. The planned budget will be equivalent to \$1,000,000,000 U. S., and the first large step will be the Tumut River dam and tunnel. The Henry J. Kaiser Co. of Oakland, Calif., won the job for \$50,000,000.

The Kaiser Co. is a pool of capital from several sources, but by far the largest share is reported to be that of

the famed magnate. Mike Miller, vice president, is in direct charge of the Australian operation.

The Kaiser Co. plans to use \$6,-000,000 worth of equipment for the job, including a portable electric railroad. They will use 1,500 to 2,000 men for more than six years to build a 14 mile tunnel 26 feet in diameter and the Tumut Pond dam, 280 feet high and 700 feet long. Work has already started, and the first portal is scheduled for completion about Aug. 1. In the Melbourne vicinity, another American engineering firm, the Utah Construction Co., has been working 18 months on a dam on the Goulburn River. It is the Eldon Weir, the world's largest earth-filled dam. The contract is for \$30,000,000 and the project, scheduled to be finished next year, will develop 120,000 kw of power.

Incidentally, leading Australian government officials have let it be known that for such big projects, so vital to the country's future, contracts will go to the lowest bidder—with no special preference accorded to British firms. This is different from the practice with smaller items like cars, books and clothes. In the words of a high treasury official:

"In major work such as the Snowy River, overseas firms will be treated with complete impartiality—the same for America as England. It's done in our own interest—to get the best service."

American businessmen in Australia disagree as to the best fields for investment of American capital. Their suggestions run from fish canning to television set manufacturing and hotel building. The over-all fact seems to be that almost any business tackled with American know-how and energy prospers here.

Scores of American businessmen, consulted in the two largest cities, Sydney and Melbourne, agreed on this—though some offered words of caution about certain phases of operations. This unofficial symposium follows—with the names of the severest critics left out to protect them:

In Sydney, the head of one of the big subsidiaries had this advice for would-be American investors: "First survey the market—see if the Australian people will be interested in the product. Some items may not interest them. For instance, there is a crying need for new hotels—but Australians don't seem to want to pay for luxury service. Furthermore, it might be hard to get a license. Because the breweries, in effect, own many of the hotels—and they are a powerful group—they would probably make it tough for outsiders."

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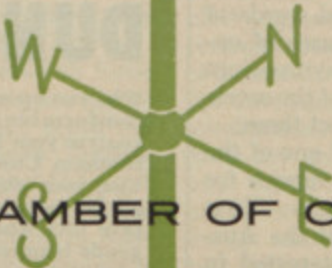
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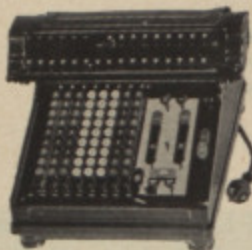
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tion. There are certain monopolies like Colonial Sugar, which has close ties with the government. If you were a steel company, you'd have a hard job competing with another monopoly, Broken Hill Proprietary. The same with chemicals—I.C.I., Imperial Chemical Industries, is a well entrenched monopoly. Frequently there is a liaison between business and the government which is discouraging.

"Third, check into costs. Labor costs are lower than the U. S., but higher than Europe. Labor here has 80 to 85 per cent of the efficiency of U. S. labor. One British firm I know here has a factory in England, and a comparable factory here. The bosses tell me that with comparable equipment, they get about 40 per cent more production in England."

About the productivity of Australian labor, however, there seems to be considerable disagreement among American businessmen. Frank Callahan, General Motors-Holden's production manager, says Australian labor is as efficient as any—given good leadership and training. Albert Konz confirms this. He has set up similar establishments in Britain and France, and says: "They (the Aussies) do as much work as any nationality—but they have to be treated right. They are a proud people, a democratic people, and they should be treated as equals."

The head of a large automotive subsidiary agreed: "Handle them with moderation. Don't try to get all of the blood out of the turnip, as some of the British employers do. Treat them right and they'll do a good day's work."

Several American engineers engaged in construction work don't share this view, however. One said:

"The labor situation is unbelievable and inconceivable. It's the most frustrating country I've ever worked in—we call it Frustralia. They're not willing to accept new ideas here or even try them. The unions will walk off the job if you look cross-eyed at them. Some unions are Commie dominated [note: only one that we could discover] and they'll walk off just to be cussed. If a foreman works too fast, it's a ten pound fine for him."

The unions, incidentally, are strong in Australia, and the tiny Communist party is legally recognized—but the Liberals, not the Labor party, have been in power for years and were reelected in May. The general direction of both parties is toward social benefits for the masses and conservative economic policies.

Which fields of business endeavor

GUIDE



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would be most attractive to American capital? At the well kept American National Club, opposite Sydney's Botanical Gardens, we heard a variety of opinion. The club's president, W. R. Hauslaib, who heads a car-assembling and sales firm (Packard), suggested some novel enterprises: one, an underground parking lot in Sydney, which is going crazy with traffic problems. Also plastics—even though the British are also interested in the future of plastics here. And men's ready-made suits.

The managing director of Armco steel products, William G. Holiday, also at the American National Club, said that the biggest future will be in chemicals, despite the competition of British-owned International Chemical. He pointed out that several American firms have just come into the field—Monsanto is a recent arrival, and Parke Davis has a new plant.

Frank H. Carlson, managing director of the Atlantic Union Oil Co., Ltd., stated there is a good market for a wide range of consumers' goods made and sold with American know-how, but he warned that an American firm should talk with the Australian customs, federal treasury and exchange control before coming out here.

The J. Walter Thompson advertising agency has a flourishing business in Australia promoting many famous American products like Rinso, Kolynos, Eveready batteries, Jantzen bathing suits and Burroughs adding machines. Loyd Coleman, heading the firm here, has lifted it to a \$5,000,000 annual gross, to become the biggest Australian advertising agency. Mr. Coleman said: "The Australians are enthusiastic over everything (American) that comes here."

He suggested, though, that the smaller businesses do best, "something which won't run into too much politics." He mentioned specifically sporting goods, since Australia is "the biggest sporting country in the world," and "the 'little' specialties, like the man that makes the machines for polishing the tops of buttons that go on automobile upholstery. It would be best for a company to have two or three of these specialties."

There might be a good field for an American company in transport, Mr. Coleman said. "Transport costs a lot here—while American transport is efficient, and highly competitive." Television set manufacture will probably be profitable, too: Australia's principal cities plan to establish stations soon, and this affords set makers a chance to get into a

fresh market. There will be competition, though, from firms like Amalgamated Wireless (Australian), Philips (Dutch), and His Master's Voice (British).

In Melbourne, two subsidiary executives mentioned the need for new bottling and packaging firms. The Australian Glass Company, it seems, has a firm grip on the bottle market. Australian packaging is well below the American standards, we were told, besides being twice as expensive. At the International Harvester plant in Melbourne, Board Chairman Killough added his contributions to the list of likely business opportunities for American capital. "We all need specialists to come down," he said. "Like the wheel manufacturer—the bits and pieces. Then there is tool machinery. It's almost impossible to get machine tools made with precision. We need dies—like those of the Pyles company in the U. S.

"But I think the biggest opportunity for United States capital is a second steel plant. Broken Hill is a monopoly—but I think they would welcome it. They are worried about nationalization, and if they had competition, they wouldn't be nationalized."

He added: "I've urged a lot of people to come down here and they've all been pleased."

To help in this industrial migration, incidentally, Louis Mendes, a Melbourne lawyer, has set up a specialized office, expressly for the benefit of American companies.

"Australia needs a higher degree of salesmanship," he said. "We do provide a high degree of safety in a good market area." Mr. Mendes has chosen the optimistic word "organize" as the cable address of his firm.

American Foreign Service personnel in Melbourne, Sydney and Canberra share the general enthusiasm about Australia's possibilities for American capital investment. In Melbourne, Consul Henry Stebbins and Vice Consul Given Parsons pointed out that the recent discovery of many rich mineral deposits in Australia—like bauxite, iron, oil and uranium—makes the business field much more promising.

In Sydney, the consular commercial attache, Robert Cleveland, summed it up: "Generally, the public is favorably disposed toward the American product. I don't think there's prejudice in favor of the British product. The profit rate must be good, or there wouldn't be so many American firms here."

The American Consul General for Australia, Don Smith, said it even more concisely: "None of them has pulled out." **END**



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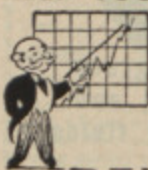
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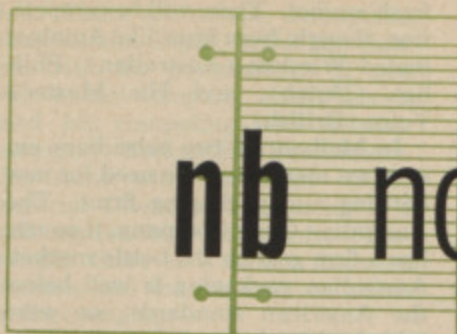
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nb notebook

Waste paper---but no red tape?

WASHINGTON, D. C., has no pretensions as an industrial city, yet it does maintain a high ranking in the production and shipment of one commodity. In fact, although figures are sketchy, it may lead the world in this field.

The product is waste paper.

Every year the capital manufactures 100,000 tons of this commodity—which is the basis of a \$2,000,000 business, with the money going to the U. S. Treasury.

Although the Pentagon is the best continuing source of such material, waste paper production differs from other kinds of production in one important way: Active agencies produce less of it than those that go out of business.

When a bureau such as OPS or WPA stops operation, the index cards, filing records, correspondence in triplicate and other papers provide a rich vein for waste collectors.

The operating agency responsible for collecting and processing waste from government executive agencies is the Personal Property Utilization Division of the General Services Administration. It maintains 125 pickup stations where scrap is collected daily—but it has no branches in Congress. The Senate and House collect and sell their own waste paper.

And the product of executive and legislative branches is never mingled.

Foreign languages spoken here

SOME TIME ago a Hagerstown, Md., citizen, abroad in the early dawn, found a family of travelers in a dreary huddle in the railroad station. Endless confused gestures later, he understood that the family had money, had a place to go but spoke no English. Thus at a loss as to how to get around, they had waited rescue in the station.

From this impasse, the Hagerstown Chamber of Commerce built an unusual civic enterprise. Today, widely distributed in Hagerstown stations, hotels, churches, restaurants and other likely places is a pamphlet filled with such phrases as

"Je snakker norske," "Ya mluvim cesky," "Yo hablo español," followed by names, addresses and phone numbers.

Now a non-English-speaking visitor has only to pick up the booklet, find on the first page directions in his own language for using it and thus put himself in contact with some local volunteer who speaks his native tongue.

A lonely Estonian, for instance, will find on pages 19 and 20 the names, addresses and phone numbers of two people eager to welcome and aid him in his own tongue.

The pamphlet covers 25 languages.

Aid to better hearing

A PROGRAM set up recently at Wausau, Wis., to test the hearing of job applicants is attracting wide attention.

Sponsored by the Chamber of Commerce Manufacturers' Council and the Wausau Visiting Nurse Association, the program is designed to check the hearing of every new or re-hired employee to prevent placing noise-sensitive persons in noisy jobs and to conserve workers' hearing.

Wanted: a sea-level flagpole

EDWARD H. RADEMACHER, genial mayor of Calipatria, Calif., wants to erect a municipal flagpole in one of his city's parks.

Calipatria has, its mayor says, "stone that floats in the water—and wood that sinks." It has three cotton gins, cottonseed oil mills, and manufacturers of concrete pipe and building materials. It has a low tax rate, no special assessment districts nor improvement bonds, several new school buildings all paid for and four churches. But no flagpole.

It also has the distinction of being the "lowest down town" in the western hemisphere. That is the reason for the flagpole. The mayor wants to "fly the flag at sea level."

To do this he needs a pole 184 feet high.

With or without a flagpole, the mayor says, "Calipatria may be down in a hole but we are not down in a rut. Building permits show an

increase of 200 per cent in the past year. New highways now building should place Calipatria as a 'must see' on the tourist agenda. And our town is filled with the nicest people in any hemisphere."

Documents are kept safe

THE THOUSANDS of visitors who file past the Constitution and the Declaration of Independence in their bronze and marble cases in Washington's Archives Building now have a better understanding of how these famous documents are guarded against destruction.

The Mosler Safe Company, which built the safe where the papers are stored in the basement at night, has placed a 600 pound model of the unique strong box on display.

It has been called the world's largest safe and a feature is the "scissors" elevators which raise and lower the documents.

The parchments themselves are light but the bronze and marble cases which house them are heavy enough to provide some difficult problems in elevator construction. As a result, cost of safeguarding the documents came to some three times Mosler's \$30,000 bid for the job.

The safe company charged off the difference to public service.

Raising trout in a desert

THE OLD LINE about the "desert blooming like a rose" is not entirely apt so far as the Mohave Desert is concerned. Irrigation has made the Mohave bloom with cotton, rice and other crops less romantic than roses. Most unusual of all is the Stoddard Jess ranch near Victorville where the desert blooms like a trout stream.

Mr. Jess pumps 8,640,000 gallons of water a day from an underground reservoir to fill a series of artificial lakes where he raises trout—700,000 of them a year—which he freezes and packages right on the spot for the hotel and railroad dining car trade.

Judges get easier work

ELECTION judges in North Carolina will be in bed earlier in the future if a new ballot box already tried out in two counties spreads to the rest of the state.

The new box requires that the voter, instead of folding his ballot, slide it flat and face down into a slot. Inside, the ballots slide down a shoot and eventually come to rest in a neat pile.

When the polls close, the box is opened from the side and the pile removed, unfolded, ready for counting.



Pete Progress says chivalry is not dead

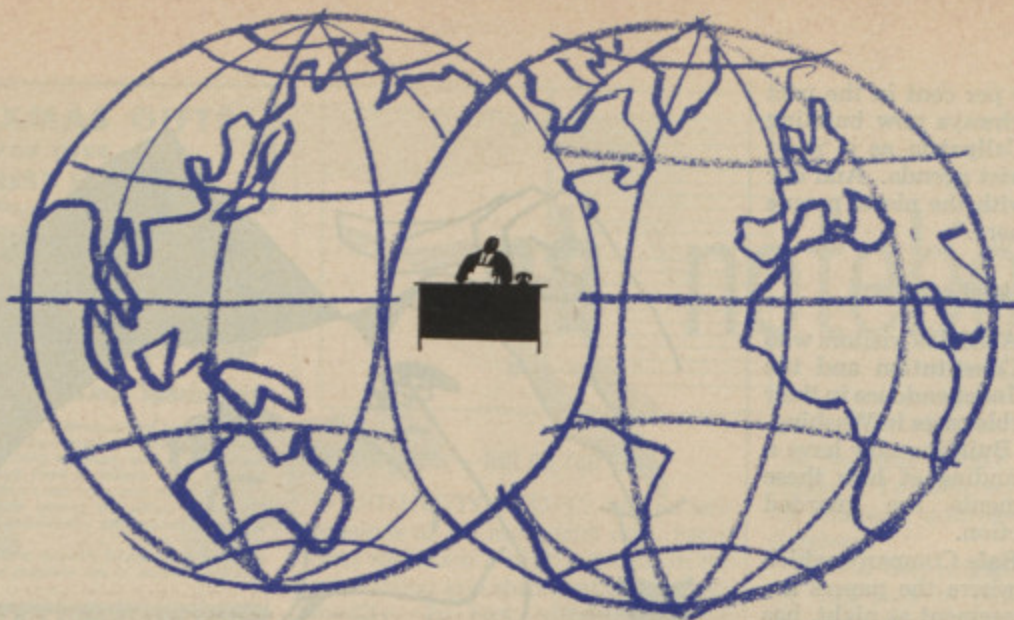
Sir Galahad never got black-balled for being a gentleman. And the chivalrous Raleigh, for the price of a cleaning bill, will be remembered for ages. Simple courtesies make life a lot more livable. Things like a cheery hello. Waiting one's turn in line. Giving the right of way. Refraining from unnecessary horn-blowing. Opening a door for another. Relinquishing a seat. Helping the aged.

There are a thousand and one little, gracious acts that add up to pleasant living. No one realizes it better than the boys at the chamber of commerce. They say that when people forget about themselves and think about the other fellow the whole community benefits. And why not? Wouldn't you rather live, work and do business in a town where people were friendlier and more considerate of their fellowmen?



Pete Progress speaks for your chamber of commerce, an organization dedicated to making your community a safer, healthier, pleasanter place to live and work. Every project backed by the chamber is a boost for the community.

You can help, too—and active support of your chamber will help you



FRIENDSHIP: A CURTAIN STRONGER THAN IRON

THIS issue of NATION'S BUSINESS allots about as much space to the other side of the world as it gives to affairs on this continent. To some this may appear to be a misdirection of emphasis. The old feeling that the Orient is "the mysterious East"—a place of quaint customs, quaint foods and quaint peoples—dies hard.

Most of us took our knowledge of the area from Rudyard Kipling and accepted as gospel his pronouncement that "East is East, West is West and never the twain shall meet."

Taken thus out of context the quotation misinterprets what Kipling set out to say, but the attitude built on it proved to be no handicap to a country with no colonial aspirations and busy, from choice, with its own affairs.

Today we still have no colonial aspirations but the choice as to whether we shall attend to our own affairs or widen our interests to include the international scene no longer lies with us.

In truth, world events have made it impossible to distinguish our own affairs from the international scene. No longer can the man whose primary interests are centered in Warren, Ohio, What Cheer, Iowa, or Pueblo, Colo., isolate himself from happenings in Peiping, Hanoi, or Melbourne. What happens in these cities or in a dozen unpronounceable and obscure places is as close to him as his tax bill, his son's way of life, the government under which he and his family live.

Experts may argue, for example, whether the recent peace in Indochina was a communist victory or otherwise, but the fact remains that this year alone \$800,000,000 of American tax money went to support the French. And the cost of Korea to this country in lives, heartbreak, and shattered dreams of young people makes the price in dollars little more than a detail.

Each of these adventures ended in the further spread

of a hateful doctrine whose ultimate goal is to rule over every little house on every little street in this country.

Continued similar adventures could finally bring that rule about.

So, if this country is to remain free, such adventures must not continue.

But how to stop them?

Affirmative answers are not easy.

But certainly a way not to stop them is to continue to cling to the old shibboleth of the mysterious East. We must acquaint ourselves with these people and these places. And once we know them, we must show a willingness to be friends.

Government can lead the way with treaties and statements of amity. But friendship is more than that. It is understanding, a willingness to help—with ideas, with knowledge, with demonstrations of what the American way will do.

This is the reason for the two articles in this issue.

The explanation by Dan Kurzman on page 66 will contribute to a better understanding of the type of people whose lives are so intimately a part of our hopes for peace, progress and security. On page 28, Richard Tregaskis demonstrates how American business—with profit to itself and to the world—is spreading the advantages of capitalism to a distant continent.

Much more is needed, of course, but if American businessmen make the effort to understand and help others to understand, it is not too late for us to show peoples too frequently exploited that the United States actually believes what Kipling was aiming at:

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When two strong men stand face to face,
though they come from the ends of the earth."*

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